

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

RALPH JANVEY, IN HIS CAPACITY AS
COURT-APPOINTED RECEIVER FOR THE
STANFORD INTERNATIONAL BANK, LTD.,
ET AL. and the OFFICIAL STANFORD
INVESTORS COMMITTEE,

Plaintiffs,

v.

BEN BARNES and BEN BARNES GROUP, L.P.,

Defendants.

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Case No.: 3:10-CV-0527-N-BG

APPENDIX

Exhibit “1” Declaration of Karyl Van Tassel, dated December 12, 2014. *See* APP0001 – APP001292.

Exhibit “2” Deposition of Ben Barnes. *See* APP001293 – APP001326.

Exhibit “3” Deposition of Karl Caperton. *See* APP001327-APP001364.

EXHIBIT “1”

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DECLARATION OF KARYL VAN TASSEL

I, Karyl Van Tassel, of 1201 Louisiana, Suite 2600, Houston, Texas 77002, state
as follows:

1. I am over the age of 21 years and am legally competent to make this declaration. The statements made in this declaration are true and correct based on the knowledge I have gained from the evidence and many documents I have reviewed and other work I and my team have performed in the course of our investigation on behalf of the Receiver. A copy of my résumé is attached as exhibit **KVT-1**.
2. On February 16, 2009, the United States District Court for the Northern District of Texas appointed Ralph S. Janvey as the Receiver for all entities owned or controlled by R. Allen Stanford, James M. Davis, Laura Pendergest-Holt, Stanford International Bank, Ltd., Stanford Group Company, Stanford Capital Management, LLC, and the other defendants in the case styled *Securities & Exchange Commission v. Stanford International Bank, Ltd., et al.*, Case

No. 3:09-CV-0298-N (the “Stanford Entities”). On the same day, the Receiver retained FTI (of which I was a Senior Managing Director) to perform a variety of services, including assisting in the capture and safeguarding of electronic accounting and other records of the Stanford Entities, forensic accounting analyses of those records (including cash tracing), and investigation of the underlying scheme. I oversee, and am personally involved in, the forensic accounting and cash tracing activities and the investigation of the Stanford Entities’ scheme. The purpose of our work has been, in part, to: (a) determine the roles that the various Stanford Entities played in the Stanford Ponzi scheme and specifically in the sale and redemption of SIB certificates of deposit (“CDs”); (b) identify the source(s) of income and cash flows of the various Stanford Entities; (c) trace funds to determine how they were allocated and disbursed throughout the Stanford Entities; (d) investigate the circumstances surrounding the scheme and, in particular, the sale of SIB CDs; and (e) assist the Receiver in performing his duty to locate and recover assets traceable to the Receivership Estate.

3. Our continued analysis of evidence, including the documents and records of Stanford International Bank, Ltd. (“SIB”), Stanford Financial Group Company (“SFGC”), Stanford Financial Group Global Management (“SFGGM”), and the other Stanford Entities and persons and the documents and other information referenced herein, was conducted using reliable practices and methodologies that are standard in the fields of accounting and finance. Further, based on our investigation, it is my opinion that such evidence is reliable and trustworthy and is the type of information upon which professionals in the fields of accounting and finance typically rely, when such information is available, during investigations of this nature.

4. In further support of this declaration, I adopt and incorporate by reference my prior declarations and testimony listed below, which were also previously submitted to this Court in connection with related lawsuits, and can be obtained via the Public Access to Court Electronic Records system (“PACER”) for the United States District Court for the Northern District of Texas:

- July 27, 2009 Declaration of Karyl Van Tassel, attached as exhibit KVT-2 [see Case No. 3:09-CV-0724-N-BL, Docs. 18, 616];
- March 26, 2010 Declaration of Karyl Van Tassel, attached as exhibit KVT-3 [see Case No. 3:09-CV-0724-N-BL, Doc. 393];
- May 24, 2010 Declaration of Karyl Van Tassel, attached as exhibit KVT-4 [see Case No. 3:09-CV-0724-N-BL, Docs. 444, 616];
- July 15, 2010 Declaration of Karyl Van Tassel, attached as exhibit KVT-5 [see Case No. 3:09-CV-0724-N-BL, Doc. 487];
- December 17, 2010 Declaration of Karyl Van Tassel, attached as exhibit KVT-6 [see also Case No. 3:10-CV-0346-N, Doc. 37]
- June 1, 2011 Declaration of Karyl Van Tassel, attached as exhibit KVT-7 [see Case No. 3:09-CV-0724-N-BL, Doc. 616];
- June 2, 2011 Supplemental Declaration of Karyl Van Tassel, attached as exhibit KVT-8 [see Case No. 3:09-CV-0724-N-BL, Doc. 616];
- June 7, 2011 Supplemental Declaration of Karyl Van Tassel, attached as exhibit KVT-9 [see Case No. 3:09-CV-0724-N-BL, Doc. 616];
- October 12, 2011 Supplemental Declaration of Karyl Van Tassel, attached as exhibit KVT-10 [see Case No. 3:09-CV-0724-N-BL, Doc. 784];
- December 5, 2011 Direct Testimony of Karyl Van Tassel, attached as exhibit KVT-11 [see Case No. 3:09-CV-0721-N-BL, Docs. 115, 116];
- December 17, 2012 Declaration of Karyl Van Tassel, attached as exhibit KVT-12 [see Case No. 3:11-CV-0294-N-BL, Doc. 38 through Doc. 56].
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The Stanford Entities operated as a Ponzi scheme.

5. Based on our investigation — and as set forth in my prior declarations and testimony listed above and attached hereto — I have concluded that the Stanford Entities were collectively operated as a Ponzi scheme since at least 1999. SIB, SGC, SFGGM, SFGC and Bank of Antigua were part of the Stanford Ponzi scheme.

6. Allen Stanford was sole owner, directly or indirectly, of more than 130 separate entities, including SIB, SGC, SFGGM, SFGC, and Bank of Antigua. These entities comprised a

single commonly owned financial services network called the “Stanford Financial Group,” which was headquartered in Houston and was controlled by Stanford and his close band of confidants.

7. The SEC alleges in its Second Amended Complaint in Case No. 03-CV-0298-N that the Stanford Entities constitute “a massive Ponzi scheme” involving “misappropriat[ion of] billions of dollars of investor funds.” Likewise, James Davis, Chief Financial Officer for both SIB (according to SIB’s published financial statements) and SFGC and a long-time business associate and confidant of Allen Stanford, has pled guilty to charges that he conspired with Allen Stanford and others in running a Ponzi scheme in violation of federal securities laws. In connection with his guilty plea, Davis admitted that SIB was a “massive Ponzi scheme whereby CD redemptions ultimately could only be accomplished with new infusions of investor funds.” James Davis admitted in his arraignment that the Stanford enterprise was a Ponzi scheme from the beginning. As explained in more detail below, my findings are consistent with the SEC’s allegations and James Davis’s admission that SIB and the Stanford Entities were a Ponzi scheme. Furthermore, I have not seen anything in the records that I have reviewed indicating that SIB and the Stanford Entities were not a Ponzi scheme.

8. Some of the Stanford Entities’ roles in the Stanford Ponzi scheme are explained generally below:

- SIB is a wholly owned company of Stanford International Bank Holdings Limited (“SIBH”), and SIBH is a wholly owned company of R. Allen Stanford. SIB issued the CDs that were at the heart of the Stanford Ponzi scheme and was not a typical commercial bank. It had one principal product line — CDs — and one principal source of funds — customer deposits from CD purchases. From at least 1999 forward, SIB was insolvent (*i.e.*, its liabilities exceeded the fair value of its assets) and relied on proceeds from the sale of new CDs to make purported interest and principal payments to existing CD investors. *See* KVT-36, paragraphs 34-40. The SIB CD sale proceeds that were not used to pay off prior investors

were widely disbursed throughout the Stanford Entities — including to SFGC, SFGGM, SGC, and Bank of Antigua — and to R. Allen Stanford.

- SFGC is a wholly owned company of R. Allen Stanford. SFGC provided shared services, including Treasury and Investment services, to SIB and other Stanford Entities. From at least 2000 forward, SFGC was insolvent (*i.e.*, its liabilities exceeded the fair value of its assets) and received SIB CD funds. *See* KVT-42, paragraphs 8-11.
- SFGGM is a wholly owned company of R. Allen Stanford. SFGGM provided management support services to other Stanford Entities, including accounting, IT, legal, marketing, and other administrative services. In addition, SFGGM received portfolio management fees from SIB. Many of SFGGM's management support services were ultimately outsourced to SFGC. From at least 2007 forward, SFGGM was insolvent (*i.e.*, its liabilities exceeded the fair value of its assets) and received SIB CD funds. *See* KVT-42, paragraphs 8-11.
- SGC is a wholly owned company of Stanford Group Holdings, Inc. (“SGH”), and SGH is a wholly owned company of R. Allen Stanford. The financial advisors for SGC marketed and sold thousands of SIB CDs and received bonuses, commissions, referral fees, and other forms of compensation for these sales. SGC also performed portfolio management and other services for SIB.
- Bank of Antigua is owned by R. Allen Stanford. R. Allen Stanford directly owns 1% of Bank of Antigua. Stanford Bank Holdings Limited, a wholly owned company of R. Allen Stanford, owns the remaining 99%. Bank of Antigua was a commercial bank in Antigua. James Davis testified that the Bank of Antigua was insolvent when R. Allen Stanford first approached the Government of Antigua with the idea of setting up SIB in Antigua. Mr. Davis testified that it was “part and parcel to receiving a license” for SIB that R. Allen Stanford purchase the Bank of Antigua. Mr. Davis testified that the Bank of Antigua purchase was as much as \$20 million and that the funds used to make the purchase came from CD funds. *See* KVT-92 at pages 180-182.
- Stanford Development Company Ltd. (“SDCL”) is a wholly owned company of R. Allen Stanford. SDCL is the entity that owned the land, buildings, vehicles, equipment, furniture and fixtures used by the various Stanford entities in Antigua. SDCL financial statements reflect revenues in 2004 and 2005, but no revenues from 2006 through 2008. Additionally, in 2004 and 2005 the cost of sales exceeded revenues in each year.
- Stanford Financial Group Limited (“SFGL”) is a wholly owned company of R. Allen Stanford. SFGL provided management support services to other Stanford Entities, including accounting, IT, legal, marketing, and other administrative services. Additionally, SFGL is the entity name on the “secret” Swiss bank account, Societe Generali 108.731.

Sales of SIB CDs Perpetuated the Ponzi scheme.

9. SIB was not a typical commercial bank. It did not offer checking accounts and did not make loans (other than to certain CD investors for up to 80% of their CD balance). It had one principal product line — CDs — and one principal source of funds — customer deposits from CD purchases. The terms of some SIB CDs permitted partial redemptions before maturity upon customer demand.

10. SIB offered CD rates that were significantly greater than those offered in the United States. A SIB 2007 marketing brochure¹ tracks SIB's historic CD yields against average US CD yields. The SIB CD's yields reflected in its marketing brochure ranged from a high of 388% of the US CD yield in 2002 to a low of 140% of the US CD yield in 2006. According to the brochure, SIB was able to pay high CD rates by investing in "a well-diversified portfolio of highly marketable securities issued by stable governments, strong multinational companies and major international banks." As a result, the brochure continues, "[SIB] has been consistently profitable since inception." In other words, SIB purported to function like a hedge fund but, unlike a hedge fund, its customers were guaranteed (by SIB) a specified return regardless of the fund's performance.

11. SIB's reported returns were remarkably steady, fluctuating only from 11.7% to 14.9% between 1997 and 2007. SIB showed a profit in economic good times and in bad. The one exception was the second half of 2008, when financial sector businesses across the globe were struggling for survival and many feared they were on the brink of financial collapse. Even then, SIB's accounting records reflected positive investment earnings, but a small overall loss — just 2% of total (purported) financial assets — after deductions for purported CD interest and other expenses. What to some appeared to be too good to be true was indeed untrue. As

¹ Ex. 1, STAN INVSTR GENL_058437 at 058446.

Stanford himself said at an October 2008 financial advisor conference: “We’re about, as of early October, down about four percent, I guess. . . . I’m not happy with that [but] in this market I guess it’s astounding.”

12. SIB CDs were marketed through financial advisors employed by other Stanford-owned entities. The financial advisors were heavily incentivized by above-market commissions and bonuses to steer their clients to SIB CDs rather than other investments. SIB incentivized Stanford-affiliated financial advisors to convince their clients to purchase SIB CDs over other kinds of investments by paying the financial advisors above-market commissions and other compensation tied to CD sales and to the retention of the CDs within SIB.

13. The most significant numbers on SIB’s financial statements — revenue and asset value — were fictitious. Davis states in his plea agreement that assets were inflated to offset CD obligations and that revenue was “reverse-engineered” to arrive at desired levels. My findings are consistent with those admissions.²

14. We found within SIB’s accounting records worksheets used to derive fictitious SIB revenue back to 2004. The Ponzi scheme conspirators would simply determine what level of fictitious revenue SIB needed to report in order to both look good to investors and regulators and purport to cover its CD obligations and other expenses. They would then back into that total amount by assigning equally fictitious revenue amounts to each category (equity, fixed income, precious metals, alternative, etc.) of a fictitious investment allocation.

15. The returns were fictitious, and they were based on fictitious asset totals:

- (a) SIB’s records reflected that, as of December 31, 2008, it held \$8.3 billion in “financial assets” — presumably actively traded securities and metals, as SIB represented to the public. The reality was much different. As of the end of 2008, SIB held less than \$500 million in securities, or less than 7% of the total CD obligations.

² James Davis Plea Agreement (Ex. 2, STAN INVSTR GENL_057886)

- (b) We also discovered that \$3.174 billion of SIB's claimed 2008 assets consisted of two real estate holding entities that had been purchased that same year for only \$63.5 million and whose only assets were tracts of undeveloped Antiguan real estate. The value of those assets was inflated by 50 times the purchase price through a series of paper transactions involving other Stanford-owned entities. These repetitive flips had no apparent economic substance and appear to have been engaged in solely to grossly overstate the value of the assets so as to prop up SIB's balance sheet.
- (c) I and my team found that at least another \$1.8 billion in SIB assets consisted of notes receivable from Allen Stanford. Based on our investigation, however, Allen Stanford had no significant assets apart from the various Stanford Entities, which collectively owed billions of dollars more than the fair value of their combined assets.
- (d) Other assets were similarly overstated. Private equity investments, for example, were recorded on SIB's books at amounts that the Receiver's subsequent sales efforts have revealed to be many times greater than their realizable value. These were valued at \$1.2 billion as of June 30, 2008, but it is expected that the Receivership will realize far less than that amount.
- (e) Moreover, the fact that many of SIB's assets consisted of real estate, unsecured notes from Allen Stanford, and private equity investments was contrary to SIB's assurances to customers that its investments consisted of "highly marketable securities issued by stable governments, strong multinational companies and major international banks" so as to "maintain[] the highest degree of liquidity." See exhibit **KVT-12** at 3.

16. Misinformation regarding SIB's financial strength, profitability, capitalization, investment strategy, investment allocation, the value of its investment portfolio, and other matters, was regularly disseminated from Stanford, Davis, and others working under them to Stanford financial advisors, for use in inducing potential investors to purchase SIB CDs. SIB induced investors to buy CDs by offering substantially above-market rates, issuing financial statements and other data that significantly overstated its earnings and assets, and misrepresenting its business model, investment strategy, financial strength, the safety and nature of its investments, and other facts important to investors.

17. SIB's CD liabilities increased significantly between 2000 and the institution of the Receivership on February 17, 2009.

Balance Sheet Date	Customer Deposit Liability	Annual Change in Customer Deposit Liability
December 31, 1999	\$623,559,959	N/A
December 31, 2000	\$772,261,025	\$148,701,066
December 31, 2001	\$1,116,454,586	\$344,193,561
December 31, 2002	\$1,606,062,398	\$489,607,812
December 31, 2003	\$2,083,397,998	\$477,335,600
December 31, 2004	\$2,827,941,493	\$744,543,495
December 31, 2005	\$3,763,011,040	\$935,069,547
December 31, 2006	\$5,010,083,766	\$1,247,072,726
December 31, 2007	\$6,689,964,303	\$1,679,880,537
December 31, 2008	\$7,431,630,364	\$741,666,061
February 17, 2009	\$7,191,011,843	\$(240,618,521)

18. Through analysis of SIB's financial records, I and my team have determined that SIB was insolvent from at least 1999 forward. SIB's reported assets consisted overwhelmingly of "financial assets" and cash. The published balance sheets represented that "financial assets" were reported at "fair value." Of course, cash, by definition, is stated at fair value (assuming correct reporting). We know, however, from our investigation and review of internal SIB records that the fair value of the SIB financial assets was much smaller than reported. Each year, from 1999 forward, SIB's reported asset totals included, without disclosure to the public, notes receivable from Allen Stanford and certain assets with clearly inflated values. When these amounts are deducted from the asset totals contained in SIB's published financial statements, it

is apparent that, from at least 1999, SIB's liabilities exceeded the fair value of its assets. Stanford's promissory notes were of no real value, because his apparent wealth was based on the SIB Ponzi scheme. Moreover, private equity stakes initially held by other Stanford Entities (although likely purchased with SIB CD proceeds) were transferred to Allen Stanford, and then from Stanford to SIB, which recorded them on its books at much inflated values with no apparent economic substance or gain. These transfers appear to have been booked for the purpose of giving SIB the false appearance of financial strength based upon the manner in which the transactions were recorded and related notes on supporting documentation. It is likely that other SIB assets were also fictitious or overvalued, as we saw in our analysis of 2008 data.

19. Through an analysis of cash flows for the period January 1, 2004, through February 17, 2009, we have verified that proceeds of CD sales were used to make purported interest and redemption payments on existing CDs. This analysis just confirmed what we knew had to be true anyway, as SIB's assets, reserves, and investments were insufficient to fund its purported redemption and interest payments. For example, SIB's CD transaction records indicate that approximately \$2 billion was paid to investors for principal and interest from January 1, 2008, through February 17, 2009. SIB's legitimate principal income-generating assets, which were managed in what was known as "Tier 2," never totaled more than \$1 billion, even when the stock market was at a high and the economy was strong. By the end of 2008, "Tier 2" had declined to less than \$500 million, due to a combination of increasing redemptions and liquidations and falling market values. Even if SIB had fully liquidated all investments in its portfolio, it would not have realized enough cash flow to cover just the redemptions in 2008 without the influx of new CD purchase money. And in fact, when the market declined, we

know that it took only 4 months for liquid assets to substantially deplete, even though \$7.2 billion in CD obligations remained. As a result of this decline, all actual gains earned on the “Tier 2” investments since 2003 were lost. Thus, although the SIB CD portfolio contained some legitimate investments, the earnings from those investments were negligible in comparison, and could not reasonably have been expected, to cover SIB’s total obligations to the CD holders.

20. Based on our analysis to date, I have concluded that from at least 1999 forward, SIB relied on proceeds from the sale of new CDs to make purported interest and principal payments to existing CD investors. This is especially evident from the fact that, when CD sales faltered in 2008, SIB was immediately forced to sell off most of its assets that were readily available for liquidation just to maintain payments for a short time. By using the proceeds of new CD sales to pay interest and redemptions to existing CD holders, Stanford, Davis, and their cohorts perpetuated the Ponzi scheme.

21. CD sales proceeds not used to pay purported interest, redemptions, and current operating expenses (including commissions and other incentive payments to financial advisors in other Stanford Entities) were either placed in speculative investments (many of them, such as real estate and private equity deals, illiquid), diverted to other Stanford Entities “on behalf of shareholder” (*i.e.*, for the benefit of Allen Stanford), or used to finance Allen Stanford’s lavish lifestyle (*e.g.*, jet planes, a yacht, other pleasure craft, luxury cars, homes, travel, company credit card, etc.).

22. A tipping point was reached in October 2008: that month and every month thereafter, incoming funds from new investors were insufficient to offset outgoing payments to existing investors. Continuing CD sales could no longer cover purported redemptions, interest

payments and normal operating expenses. This cash flow crisis caused a rapid depletion of liquid assets, which were inadequate to begin with to cover SIB's CD obligations. By the time the U.S. Receivership was instituted, SIB had already suspended redemptions for certain investors and many Stanford Entities had stopped paying many contractual obligations. For example, SIB received negative publicity concerning its failure, in early February 2009, to fund a \$28 million commitment to a Florida communications company named Elandia International Inc.

23. Notwithstanding SIB's insolvency (net assets minus net liabilities) and the rapid liquidation of its investments during 2008 and into 2009, CD sales continued until February 16, 2009, when the SEC and the U.S. Court intervened. SIB's actual (as opposed to reported) earnings and assets were insufficient to meet its CD payment obligations. SIB could only keep the scheme going by selling yet more CDs and using the proceeds to pay redemptions, interest, and operating expenses. These CD purchases were too small, however, to continue to cover for the lack of assets owned by SIB.

24. At the inception of the U.S. Receivership on February 16, 2009, SIB's total reported obligations to CD holders was approximately \$7.2 billion (U.S.), versus reported investments valued at \$8.3 billion as of December 31, 2008. Based on my analysis, the market value of all assets for all Stanford Entities (including SIB) combined to total less than \$1 billion. At the time SIB was placed into receivership, SIB was insolvent (*i.e.*, its liabilities exceeded the fair value of its assets) by more than \$6 billion.

Transfers to the Barnes Defendants

SFGGM's Bank of Houston 8870 Account

25. Our analysis of the Stanford Entities' records and operations has revealed that at least \$2,513,466.90 was transferred to an account at Prosperity Bank in the name of Ben Barnes Group LP from SFGC which consists of payments of \$1,000,000 on June 30, 2005, \$500,000 on December 7, 2005, \$20,000 on January 19, 2006, \$500,000 on February 28, 2006, \$68,466.90 on July 31, 2006, \$325,000 on February 22, 2007, and \$100,000 on April 30, 2008. The payments to the Barnes Defendants were made from SFGC's Trustmark National Bank account number 3003104586 ("Trustmark 4586"). A list detailing the date, amount, and transferor, for each of these transfers is attached as exhibit **KVT-13**. The total deposits into SFGC's Trustmark 4586 account between January 1, 2005 and February 17, 2009 were approximately \$1.6 billion. Based on the following analysis, I have concluded that the substantial majority of funds deposited into SFGC's Trustmark 4586 during this time period came directly or indirectly from CD sale proceeds.

26. Based on FTI's review of records from Trustmark relating to the Trustmark 4586 account, 74%, or \$1,144.0 million, of the deposits from January 1, 2005 to February 17, 2009 were transfers from SIB's Trustmark 1707 account. As I have previously concluded in my July 27, 2009 and June 7, 2011 declarations (attached as KVT-2 and KVT-9 respectively), the overwhelming majority of funds received by SIB into Trustmark 1707 came directly or indirectly from CD sale proceeds. See KVT-2 at paragraph 34 and KVT-9 at paragraph 11.

27. Another 8%, or \$131.4 million, of the deposits into the Trustmark 4586 account from January 1, 2005 to February 17, 2009 were transfers from SFGGM's Bank of Houston account 8870 ("BOH 8870"). The transfers from SFGGM's BOH 8870 account to SFGC's

Trustmark 4586 account occurred between January 1, 2007 and February 17, 2009. The total deposits into SFGGM's BOH 8870 account from January 1, 2007 through February 17, 2009 were approximately \$691.5 million. Based on the following analysis, I have concluded that the substantial majority of funds deposited into SFGGM's BOH 8870 account during this time period came directly or indirectly from CD sale proceeds. Based on FTI's review of records from Bank of Houston related to this account, 78%, or \$541.1 million, of the deposits into BOH 8870 from January 1, 2007 to February 17, 2009 were transfers from SIB's BOH 8706 account. Another 11%, or \$76.6 million were transfers from SIB's TD 1670 account. As I have previously concluded in my July 27, 2009 and June 7, 2011 declarations (attached as KVT-2 and KVT-9 respectively), the overwhelming majority of funds received by SIB into BOH 8706 and TD 1670 came directly or indirectly from CD sale proceeds. See KVT-2 at paragraphs 35-36 and KVT-9 at paragraphs 12 and 14.

28. Another 3%, or \$50.3 million, of the deposits into Trustmark 4586 from January 1, 2005 to February 17, 2009 were transfers from SIB's BOH 8706. As I have previously concluded in my July 27, 2009 and June 7, 2011 declarations (attached as KVT-2 and KVT-9 respectively), the overwhelming majority of funds received by SIB into BOH 8706 came directly or indirectly from CD sale proceeds. See KVT-2 at paragraph 36 and KVT-9 at paragraph 14.

29. Another 3%, or \$48.3 million, of the deposits into Trustmark 4586 from January 1, 2005 to February 17, 2009 were transfers from SFGC's Bank of Houston account number 8854 ("BOH 8854"). Based on the following analysis, I have concluded that the overwhelming majority of funds deposited into SFGC's BOH 8854 account during this time period came directly or indirectly from CD sale proceeds. The transfers from SFGC's BOH 8854 account to

SFGC's Trustmark 4586 account occurred between January 1, 2007 and February 17, 2009. The total deposits into SFGC's BOH 8854 account from January 1, 2007 to February 17, 2009 were approximately \$148.8 million. Based on FTI's review of records from Bank of Houston related to this account 69%, or \$103.2 million, of the deposits from January 1, 2007 to February 17, 2009 were transfers from SFGGM's BOH 8870 account. Another 16%, or \$23.2 million, of the deposits during this time period were transfers from SIB's BOH 8706 account. Another 12%, or \$17.8 million, of the deposits from January 1, 2007 to February 17, 2009 were transfers from SFGC's Trustmark 4586 account. As I have previously concluded in my July 27, 2009 and June 7, 2011 declarations (attached as KVT-2 and KVT-9 respectively), the overwhelming majority of funds received by SIB into BOH 8706 came directly or indirectly from CD sale proceeds. See KVT-2 at paragraph 36 and KVT-9 at paragraph 14. See paragraph 25 above for my conclusion regarding the deposits in SFGC's Trustmark 4586 account and paragraph 27 above for my conclusion regarding the deposits into SFGGM's BOH 8870 account.

SFGGM's Bank of Houston 8870 Account

30. Our analysis of the Stanford Entities' records and operations has revealed that at least \$910,000.00 was transferred to an account at Prosperity Bank in the name of Ben Barnes Group LP from SFGGM which consists of payments of \$150,000 on February 29, 2008, \$375,000 on June 2, 2008, \$55,000 on July 18, 2008, \$55,000 on August 15, 2008, \$110,000 on October 24, 2008, \$55,000 on November 7, 2008, and \$110,000 on February 13, 2009. The payments to the Barnes Defendants were made from SFGGM's BOH 8870 account. A list detailing the date, amount, and transferor, for each of these transfers is attached as exhibit **KVT-13**. The total deposits into SFGGM's BOH 8870 account from January 1, 2007 through February

17, 2009 were approximately \$691.5 million. See paragraph 27 above for my conclusions regarding SFGGM's BOH 8870 account.

Bank of Antigua

31. Our analysis of the Stanford Entities' records and operations has revealed that at least \$1,650,000.00 was transferred to an account at Prosperity Bank in the name of Ben Barnes Group LP from R. Allen Stanford's personal Bank of Antigua account which consists of payments of \$325,000 on April 17, 2007, \$265,000 on July 2, 2007, \$265,000 on August 2, 2007, \$265,000 on September 18, 2007, \$265,000 on October 19, 2007, and \$265,000 on December 10, 2007. A list detailing the date, amount, and transferor, for each of these transfers to Barnes is attached as exhibit **KVT-13**. All of these payments were processed from Bank of Antigua's Bank of America account 006550852033 ("BofA 2033"). The BofA 2033 is a clearing account so it is an accumulation of the funds of various account holders at Bank of Antigua, including R. Allen Stanford. Disbursements are made "on the order of" the individual account holders to facilitate payments in the United States. I have reached the conclusion that the funds for the above-referenced payments came from R. Allen Stanford's personal account based on the following: 1) Funds transfer notifications and wire detail from Prosperity Bank indicate that the wires were "By Order Of: R. Allen Stanford" and 2) R. Allen Stanford stated in a December 7, 2007 email that he had "been personally paying Ben \$265K each month this year." See exhibit KVT-27.

32. Based on the following analysis I have concluded that the funds in BofA 2033 were comingled with CD sales proceeds and that the above-referenced payments therefore were tainted by CD sales proceeds. Our analysis of the incoming wire detail for BofA 2033 from January 1, 2007 through January 31, 2009 revealed that nearly \$170 million of the incoming wire

deposits into this account were transfers from Stanford entities other than Bank of Antigua. Over \$163 million, or 96%, of these wire deposits came from accounts in which the substantial majority of the funds deposited in those accounts came directly or indirectly from CD sales proceeds.

33. Based on our analysis of records from Bank of America relating to the BofA 2033 account, 38.5%, or \$65.4 million of the wire deposits into the BofA 2033 account, were transfers from SFGGM's BOH 8870 account. See paragraph 27 above for my conclusions regarding SFGGM's BOH 8870 account.

34. Another 26%, or \$43.5 million of the wire deposits into the BofA 2033 account, were transfers from Stanford Financial Group Limited's ("SFGL") Societe Generale account 108.731 ("SocGen 108.731"), which James Davis described in his plea agreement as a "secret" account that was used in various ways, including to pay bribes to Antiguan regulators and SIB's external auditor.³ Between June 1, 2000 and September 15, 2008, of the \$270⁴ million deposited into SFGL's SocGen 108.731 account, over \$235 million were transfers from SIB's TD 1670 account. As I have previously concluded in my July 27, 2009 and June 7, 2011 declarations (attached as KVT-2 and KVT-9 respectively), the overwhelming majority of funds received by SIB into TD 1670 came directly or indirectly from CD sale proceeds. See KVT-2 at paragraphs 35-36 and KVT-9 at paragraphs 12 and 14.

35. Another 16%, or \$27.4 million of the wire deposits into the BofA 2033 account, were transfers from SFGC's Trustmark 4586 account. See paragraphs 25 through 29 above for my conclusions regarding SFGC's Trustmark 4586 account.

³³ James Davis Plea Agreement (Ex. 2, STAN INVSTR GENL_057886)

⁴ The total deposit amount of \$270 million excludes the return of principle on investment sales, short-term deposits, and loan proceeds subsequently paid off with external deposits.

36. Another 10%, or \$17 million of the wire deposits into the BofA 2033 account, were transfers from SIB's Trustmark 1707 account. As I have previously concluded in my July 27, 2009 and June 7, 2011 declarations (attached as KVT-2 and KVT-9 respectively), the overwhelming majority of funds received by SIB into Trustmark 1707 came directly or indirectly from CD sale proceeds. See KVT-2 at paragraph 34 and KVT-9 at paragraph 11.

37. Another 5%, or \$8.5 million of the wire deposits into the BofA 2033 account, were transfers from Stanford Development Company Limited's ("SDCL") Trustmark National Bank account 3003104131 ("Trustmark 4131"). The total deposits into SDCL's Trustmark 4131 account from January 1, 2007 through February 17, 2009 were approximately \$33.8 million. Based on the following analysis, I have concluded that the substantial majority of funds deposited into SDCL's Trustmark 4131 account during this time frame came directly or indirectly from CD sale proceeds. Based on FTI's analysis of records from Trustmark National Bank related to this account, 42%, or \$14.2 million, of the transfers during this time frame were transfers from SFGC's Trustmark 4586 account. Another 58%, or \$19.5 million, were transfers from SFGGM's BOH 8870 account. See paragraph 25 through 29 for my conclusions regarding SFGC's Trustmark 4586 account and SFGGM's BOH 8870 account.

38. Another and 1%, or \$1.3 million of the wire deposits into the BofA 2033 account, were transfers from SIB's TD 1670 account. As I have previously concluded in my July 27, 2009 and June 7, 2011 declarations (attached as KVT-2 and KVT-9 respectively), the overwhelming majority of funds received by SIB into TD 1670 came directly or indirectly from CD sale proceeds. See KVT-2 at paragraphs 35-36 and KVT-9 at paragraphs 12 and 14.

39. Additionally, shortly before each of the payments made from Bank of Antigua's BofA 2033 account to the Prosperity Bank account in the name of Ben Barnes Group LP, there

were deposits received from either SFGC's Trustmark 4586 account or SFGGM's BOH 8870 account that were more than sufficient to cover the amount of the outgoing payments to the Prosperity Bank account in the name of Ben Barnes Group LP. Prior to the \$325,000 transfer on April 17, 2007, a deposit of \$656,400 was received on April 13, 2007 from SFGC's Trustmark 4586. Prior to the \$265,000 transfer on July 2, 2007, a deposit of \$956,000 was received on June 29, 2007 from SFGC's Trustmark 4586 account. Prior to the \$265,000 transfer on August 2, 2007, a deposit of \$661,100 was received on July 27, 2007 from SFGC's Trustmark 4586 account. Prior to the transfer of \$265,000 on September 18, 2007, a deposit of \$1,619,100 was received on September 14, 2007 from SFGC's Trustmark 4586 account. On the same date as the \$265,000 transfer on October 19, 2007, a deposit of \$477,400 was received from SFGGM's BOH 8870 account. Finally, prior to the \$265,000 transfer on December 10, 2007, a deposit of \$673,200 was received on November 21, 2007 from SFGGM's BOH 8870 account. See paragraphs 25 to 30 regarding my conclusions for SFGC's Trustmark 4586 account and SFGGM's BOH 8870 account.

Services Provided by the Barnes Defendants Purportedly for Reasonably Equivalent

Value

40. Among many other documents, we analyzed the Defendant's Responses to the Receiver's Interrogatories. In response to the Receiver's request that the Defendants "[s]tate all facts that support Your affirmative defense that You provided 'reasonably equivalent value' in exchange for the payments You received from the Stanford Parties", the Defendants stated that "[a]t all times, in connection with services provided to The Stanford Parties, any such charges were for services provided at market rates, for legitimate purposes, and in accordance with charges rendered for services of the nature provided to the Stanford Parties, for clients involved

in complex associated business and governmental relations activities.” The Defendants further state that they provided several services to the Stanford entities, including, (1) “Initiated due diligence exercise that was conducted by the former general counsel to the Democratic National Committee regarding the reputation of corporations and its potential impact on political parties and elected officials accepting campaign contributions”, (2) “Provided counsel on the risks and rewards of locating a global capital markets enterprise in the U.S. Virgin Islands...[and a] strategy to expand the global awareness of the Antigua 20/20 Cricket Tournament”, (3) “Providing analysis and predictions” regarding the 2008 Democratic Presidential primary, the 2008 Presidential election, and the 2008 Congressional election and their related “impact[s] on global capital market strategies” and “U.S. policy” relating to the Caribbean region and companies residing in the U.S. Virgin Islands, (4) “Provided analysis and counsel...and [d]eveloped legislative strategy” to “effectuate...legislative changes to U.S. tax policy...in the U.S. Virgin Islands”, (5) “Initiated review of campaign finance issues relating to the Antigua national election”, and (6) Participated in and represented the corporate interest at various Democratic Governors Association events in the U.S. Virgin Islands to ensure the underlying policy reflects current global business environment.” *See* exhibit **KVT-17** at pages 3-4.

41. The above services, which the Defendants claim were delivered in exchange for reasonably equivalent value, can be broadly grouped into four categories, (1) services related to the lobbying campaign to change the U.S. tax laws regarding corporations operating in the U.S. Virgin Islands, (2) services related to the Antigua 20/20 Cricket Tournament, (3) services related to political donations and access to politicians, and (4) services related to the reputation of R. Allen Stanford and the Stanford Entities. These services are described in more detail below.

U.S. Virgin Island Tax Laws

42. In an April 2005 e-mail exchange between Carlos Loumiet and Yolanda Suarez, Loumiet recommended Jim Miller (instead of Ben Barnes) to “[go] before the Republican-controlled Administration, House and Senate to ask for a legislative favor” citing Mr. Millers’ history and relationships with the “Bushes”, “Grassley and his California counterpart at Ways and Means in the House”, and his experience lobbying frequently “on other tax issues before Congress”. Suarez told Loumiet that she “fully anticipated that Jim would be working on this” but that “his schedule was not very flexible.” While she acknowledged that she wanted Mr. Miller involved, she told Loumiet that “we do need a team on this.” Referencing his original email, Loumiet responds that he “couldn’t agree more” and that he “liked [Ben Barnes’] ideas.” *See* exhibit **KVT-18**. Ben Barnes testified that this email was related to the lobbying campaign in which he and his firm were engaged to change the U.S. Virgin Islands tax laws. *See* exhibit **KVT-14** at pg. 83.

43. In advance of an August 31, 2005 meeting, Barnes sent R. Allen Stanford and Yolanda Suarez a detailed lobbying campaign proposal for winning approval of the USVI tax proposal. The proposal centered on a strategy to develop a detailed “rationale” for the tax proposal, target legislative leaders, and third party advocates. *See* exhibit **KVT-19**.

44. Evidenced by a series of e-mails, the USVI tax lobbying group, with Barnes’ support and direction, decided to develop a national security argument to bolster their efforts. *See* exhibits **KVT-20**, **KVT-21**, **KVT-22**. The completed argument, in the form of a white paper, *America’s Third Border: Protecting National Security By Promoting Private Investment in the Caribbean*, was presented to R. Allen Stanford on September 27, 2005. *See* exhibits **KVT-23**, **KVT-24**, and **KVT-25**.

45. In a May 22, 2007 e-mail, Barnes proposed that Stanford pay a \$135,000 per month retainer for the USVI tax lobbying effort. Barnes cited the retention of the services of Scott Reed and Mitchell Delk in his request. *See* exhibit **KVT-26**. Payments to Ben Barnes Group LP were actually \$265,000 per month during the months of July 2007 through December 2007 and no documents or other information has been made available to explain why the amount is nearly twice as much as the proposed retention fee in the May 22, 2007 email.

46. After seeing little results from the USVI tax lobbying effort, on December 7, 2007 R. Allen Stanford decided to stop paying Barnes \$265,000 per month. Instead, he directed Yolanda Suarez to negotiate a success fee for the successful completion of the legislative effort. He made this request of Ms. Suarez irrespective of the fact that she believed the results they sought were not achievable. *See* exhibit **KVT-27** (“I know you don’t think this is achievable but Barnes assures me if we get on this and get in front of key folks on the hill it can be accomplished next year” and “Yolanda I have been personally paying Ben \$265K each month this year. I think the world of Ben and know he is very capable but this is too much for what we are getting in return. Ben has said Mitch and others were hired to do Stanford business only which I know is not the case.”).

47. In mid-February 2008 a “revised version of the ‘story’” was prepared to sell the Governor of the USVI on the tax proposal and secure his support. *See* exhibits **KVT-28, KVT-29, and KVT-30**. A little over a week later, at the end of February 2008, Barnes and Mitchell Delk spoke with the USVI Governor after which Mitchell Delk stated that he had an “opportunity to underscore the need for and opportunity to modernize the tax incentives” and that the Governor “understood” the opportunities to “lure business to and enhance revenues for the USVI”. *See* exhibit **KVT-31**.

48. Mitchell Delk stated that the lobbying campaign to change the U.S. tax laws regarding corporations operating in the U.S. Virgin Islands came down to two primary issues: 1) evaluation of what changes, if any, could be made to the residency requirements in the current tax laws and 2) evaluation of what changes, if any, could be made to expand the sourcing requirements in the current tax laws in order to allow the income earned by the Stanford Entities to be taxed at the U.S. Virgin Islands tax rate of 10% instead of the U.S. tax rate of 30%. *See* exhibit KVT-59 at pages 99-100. Mr. Delk “understood” that what R. Allen Stanford “was hoping to do...was to take all the revenues associated with the business he was doing in Antigua and take advantage of the USVI tax law.” *See* exhibit KVT-59 at page 143-144. The proposed approach was to attempt to expand the sourcing rule to “Caribbean Islands” instead of just the USVI, thus encompassing Antigua. Ultimately Mr. Delk and the other individuals working for Ben Barnes and the Ben Barnes Group concluded that the “elimination of the residency requirement was politically impossible” leaving the “broadening of the sourcing rules” as the only option. *See* exhibit KVT-59 at page 144.

49. Ben Barnes and Mitchell Delk confirmed that ultimately, the effort to change the U.S. Virgin Island tax laws was not passed. *See* KVT-14 at pages. 88 and exhibit KVT-59 at page 159. Mr. Delk stated that in a typical engagement “ultimately, success depends on whether you either pass a bill or you, in fact, derail something that’s harmful to your client.” *See* exhibit KVT-59 at page 56. Neither of those two things happened here.

Antigua 20/20 Cricket Tournament

50. Ben Barnes stated that he introduced R. Allen Stanford to Lynn DeLuca, who was “the head of ESPN”, and that Lynn DeLuca’s agreement to “be a partial sponsor of the game...caused Sky Sports Network to come in and want a contract.” *See* exhibit KVT-14 pg. 60. *See* also exhibits **KVT-32, KVT-33, KVT-34, and KVT-60 to 63**. We have confirmed that

both ESPN and Sky Sports Network agreed to be partial sponsors and broadcast distributors of the Antigua 20/20 Cricket Tournament. The agreement with ESPN called for three payments totaling \$40,000 for the right to broadcast the 2008 Antigua 20/20 Cricket Tournament via broadband internet on ESPN's ESPN360 service. *See* exhibit KVT-64 and KVT-65. A separate agreement was entered into for the rights to broadcast the 2008 Antigua 20/20 Cricket Tournament on satellite and/or cable television and via broadband internet on ESPN360. The agreement called for five payments totaling \$190,000. Stanford received at least \$135,000 related to these contracts. *See* exhibits KVT-68 to KVT-73. While we have not been able to locate the Sky Sports Network agreement, we have found evidence of several payments received by Stanford 20/20 LLC that reference the broadcast rights for the 2008 and 2009 Antigua 20/20 Cricket tournament purchased by Sky Sports Network. We have identified three payments totaling \$1,509,975. *See* exhibits KVT-74 to KVT-79 and KVT-91. We have not seen any evidence confirming that ESPN's broadcast agreement caused Sky Sports Network to approach Stanford for broadcast rights or that Ben Barnes' introduction is what caused ESPN to enter into an agreement with the Stanford Entities. The funds received from both ESPN and Sky Sports Network were deposited into Stanford 20/20 LLC's Bank of St. Croix account number 0022016603. Further, individuals within Stanford saw the Antigua 20/20 Cricket Tournament as a "great opportunity to showcase the Stanford brand" and that they "look[ed] forward to hosting clients and prospects during the Stanford 20/20 matches." *See exhibits* KVT-80 and KVT 81.

51. The Defendants also assisted R. Allen Stanford and the Stanford Entities in their efforts to gain approval for Cuba's participation in the Antigua 20/20 Cricket Tournament from the U.S. State Department and the U.S. Treasury Department. Ultimately, Cuba's participation was not approved. *See* exhibit **KVT-35**. Ben Barnes stated that Cuba's participation would have

benefited R. Allen Stanford because “it would give Stanford Financial the – a lot of recognition around the world” and attract more investors. *See* exhibit **KVT-14** at pg. 60.

Political Donations and Access

52. Our analysis of the documents and records of the Stanford entities has identified several emails and memoranda evidencing the Defendants’ efforts recommending political donations Stanford should make and providing R. Allen Stanford or other employees of the Stanford Entities with access to politicians. Such communications include, but are not limited to the following examples. Through a September 7, 2006 Barnes memorandum, Representative Charlie Rangel (NY) asked R. Allen Stanford to make individual \$2,000 contributions to twelve candidates of Rangel’s choosing. Barnes stated that “it is important that we pursue this” and recommended that R. Allen Stanford make the donations as the “Democrats have a good chance of taking back the house”. *See* exhibit **KVT-36**. In March 2007, a check was sent to Senator Dodd’s campaign. *See* exhibit **KVT-37**. In July 2007, Ben Barnes suggested that R. Allen Stanford sponsor a party for B Rapoport at Jay Rockefeller’s house for \$50,000. Ultimately, R. Allen Stanford contributed \$30,000. *See* exhibits **KVT-38** and **KVT-39**. In August 2008, Ben Barnes notified R. Allen Stanford of a request from the Governor of the USVI for R. Allen Stanford to be the “major sponsor” of an upcoming National Democratic Governor’s Association event in the USVI. Ben Barnes stated that “it’s a great opportunity”. Ultimately R. Allen Stanford sponsored the event for \$500,000. *See* exhibits **KVT-40**, **KVT-41**, and **KVT-42**.

Reputation Management

53. On May 17, 2006, Bloomberg ran an article on Stanford’s claim that he had a family relationship to Leland Stanford, the founder of Stanford University. The article not only

suggested that Stanford's claimed connection to the founder was questionable, but also discussed Stanford's formation of the "offshore bank", "problems with U.S. investigators", "donations to U.S. political candidates and parties", and the use of the "Stanford jets" by U.S. lawmakers. *See* exhibit **KVT-44**. Barnes was involved in the effort to try and quash the story. *See* exhibits **KVT-45, KVT-46, KVT-47, KVT-48, KVT-49, and KVT-50**. At one point, in a conversation with Suzanne Hamm, SFGC Chief Marketing Officer – North America, James Davis suggested the idea of having Barnes reach out to Michael Bloomberg personally to "kill the story". *See* exhibit **KVT-51**.

54. On February 23, 2007, in response to statements made by Antiguan Prime Minister Spencer stating "we have tried our best to work with Allen Stanford...[a]s your government, we have experienced nothing but threats, innuendos and now, downright political interference in our nation's affairs", R. Allen Stanford published a response in an Antiguan newspaper. In his response, R. Allen Stanford referred to the Prime Minister's statements as "un-statesman like", "badly misguided", "deceitful", "an outright lie", and "vile and slanderous". *See* exhibits **KVT-52 and KVT-53**. Barnes sent Stanford talking points for an apology. *See* exhibit **KVT-54**.

55. Later that year, Barnes suggested that R. Allen Stanford enlist the services of an online reputation firm to improve his online reputation. Barnes indicated that this and the hiring of a law firm that specializes in federal elections would also be helpful in improving Stanford's ability to give influential campaign donations. John Rafaelli, Mitch Delk, and Wyeth Wiedeman agreed with the strategy. *See* exhibit **KVT-55**.

56. Barnes used his influence in dealing with regulators in Latin America on Stanford's behalf. For example, in September 2004, Ben Barnes Group LP provided a reference

letter from Barnes for Stanford to a Venezuelan banking official in support of Stanford's application for approval to operate a commercial bank in Venezuela. *See* exhibit **KVT-57** ("I have known Mr. Stanford for more than 25 years on both a personal and professional level. Mr. Stanford is...a man of strong character and integrity. All of his business dealings have always been conducted to the highest possible standards...I have no reservation in recommending that R. Allen Stanford and his companies be given every possible courtesy and consideration."). Ben Barnes admits that prior to the early 2000s he didn't know anything about R. Allen Stanford, so that section of the letter is false. *See* exhibit **KVT-14** at pg. 33.

Barnes' Defendants had Access to High Ranking Stanford Employees

57. Throughout the rendering of the purported services by the Barnes Defendants, records and testimony from this case reflect that they had access to high-ranking Stanford personnel, including Allen Stanford, Jim Davis, and Yolanda Suarez. Many of the interactions between these parties are noted above and occurred throughout the relationship. However, many other interactions occurred that were not previously mentioned, including but not limited to the following:

- (a) Meetings in Antigua: Mr. Barnes indicates that he traveled to Antigua for meetings on Stanford business three or four times. *See* Exhibit **KVT-14**, at page 74. While there, he toured SIB's facilities and met with various Stanford employees. He also toured the airport development and the other office buildings under development by the Stanford Entities. On another visit Mr. Barnes attended a meeting held on Stanford's "one island concept", including sales meetings and meetings with "difficult" community members who opposed the plans. *See* exhibit **KVT-14**, at pages 74 and 75.
- (b) Flights by Barnes on Stanford's private planes: Mr. Barnes was asked to pick up James Davis in Memphis on a private plane in June 2005 for a meeting in Antigua. *See* exhibit **KVT-96 and KVT-97**. As early as September of 2002, records indicate Mr. Barnes was a guest on Stanford's private plane. *See* exhibit **KVT-98**. These trips provided additional private access to Mr. Stanford and Mr. Davis, and perhaps other executives.

- (c) Meeting at political fund raisers: Mr. Caperton indicated that he had met Allen Stanford at a fund raiser in Washington DC. See *exhibit KVT-93*, at page 58. Scott Reed was a subcontractor engaged by BBG, and he also recalled meeting Mr. Stanford at a Washington DC fundraiser. See *exhibit KVT-94*, see page 62
- (d) Meetings with Stanford personnel and its professional advisors: Mr. Caperton described an occasion when lawyers and accountants (internal and external) for Stanford were included in a meeting with BBG professionals as well as subcontractors hired to assist in the Stanford engagement on BBG's behalf. The meeting involved issues related to the USVI tax laws and policy impacting Stanford's tax positions. See *exhibit KVT-93*, page 131. As noted in paragraph 60 below, an email from internal Stanford accountant Henry Amadio refers to a meeting similar in nature and scope, with attached documents (KVT- 84 and KVT-85) reflecting USVI tax issues and detailed breakdowns analyzing which Stanford revenue could potentially be identified as USVI sourced.
- (e) Further, the Defendants produced a detailed list identifying numerous meetings, trips to Antigua, Miami, and the US Virgin Islands, and fundraising events or meetings with politicians attended by both the Defendants and high-ranking Stanford personnel, including, R. Allen Stanford, Jim Davis, and Yolanda Suarez. See *exhibit KVT-95*.

Purported Value Received by the Stanford Entities

58. The Stanford Entities transferred a total of \$5,073,466.90 to an account at Prosperity Bank in the name of Ben Barnes Group LP between June 30, 2005 and February 13, 2009. The services purportedly provided by the Defendants to the Stanford Entities are set forth in paragraphs 40-57 above. In our analysis of the Stanford Entities' documents and records and the deposition testimony taken in this case, we have seen no evidence that the purported "services" provided by the Defendants provided assets of tangible or intangible value to the creditors of the Stanford Entities. Instead, the services served to further the Ponzi scheme.

59. Mr. Caperton was designated by the Defendants to testify regarding whether the services rendered by BBG provided reasonably equivalent value to the creditors of the Stanford Entities. However, he was unable to connect any of the payments to any specific service

provided or explain how such services created value for the creditors. See *exhibit KVT-93*, at page 120. For example, for the \$1 million payment on June 30, 2005 Mr. Caperton cannot specify the services rendered but indicates only that they must have had value or Stanford would not have paid the invoice. To date, the Defendants have not produced documentation sufficient to determine the amount of time BBG personnel worked on Stanford related matters. Additionally, the Defendants were unable to provide this information during their deposition testimony, admitting that BBG did not keep time detail sufficient to “allocate” their time to specific projects.” See *exhibit KVT-93*, at page 90.

60. With regard to the Defendants’ lobbying efforts concerning tax laws relating to the U.S. Virgin Islands, Barnes himself admitted the Defendants were not successful in their efforts to change the tax laws concerning the U.S. Virgin Islands. The Defendants were attempting to expand the definition of “sourcing” in regard to what and how revenue and income could be considered sourced in the U.S. Virgin Islands, and therefore subject to the U.S. Virgin Islands more favorable tax rates. They were attempting to modify the tax laws to expand the sourcing requirement to include all revenues sourced in the Caribbean, which would have included all of the revenues from SIB. On March 30, 2007, Henry Amadio sent an email to Gil Lopez and Mark Kuhrt with the final version of a “USVI Initiative Meeting” report attached. The report was dated March 21, 2007. The purpose of the meeting was “to determine which of the 5 lines of revenue could qualify as revenue **sourced** from the VI (emphasis added).” The meeting concluded that “all revenue streams with the exception of the property management could be **sourced** through USVI Stanford Financial Group Global Management (emphasis added).” The final report includes graphs and charts showing that the goal was to have SFGGM charge the other Stanford Entities for Referral Fees, Marketing Fees, Management Support Fees, Capital

Market Fees, and Portfolio Management Fees so that these revenues would be treated as being “sourced” from the U.S. Virgin Islands. *See* exhibits KVT-84 and KVT-85. As stated previously in paragraph 58(d) above, Mr. Caperton referred to this meeting as well. Ultimately, even if the Ben Barnes Group had been successful in changing the sourcing requirements, which they were not, the ultimate value or benefit would have inured to R. Allen Stanford, as he was the sole owner and shareholder of the majority of the Stanford Entities. Further, Ben Barnes also admits in his deposition that even if the Defendants had been successful the U.S. Virgin Island tax law changes would have benefited ultimately the Stanford Entities and its shareholder, R. Allen Stanford. *See* exhibit KVT-14 at 88 and 95-96.

61. Similarly, based on my analysis of the available documents and deposition testimony of the Defendants, the goal of the Defendants’ services relating to Cuban participation in the Antigua 20/20 Cricket Tournament was to obtain approval from the U.S. State Department and the U.S. Treasury Department for the Cuban cricket team’s participation in the tournament. The Defendants’ did not obtain those approvals, thus any potential value, tangible or intangible, of those services was not realized. Again, had they done so, the result would have been the furtherance of the Ponzi scheme by attracting new investors.

62. With regard to the \$1,644,975 in funds received from the ESPN and Sky Sports Network’s Sponsorship of the Antigua 20/20 Cricket tournaments, as previously discussed, we have seen no evidence confirming that ESPN’s broadcast agreement caused Sky Sports Network to approach Stanford for broadcast rights or that Ben Barnes’ introductions and relationships to and with ESPN directly caused ESPN to enter into an agreement with the Stanford Entities. Additionally, Ben Barnes stated that the benefit of these sponsorships would have been to “give Stanford Financial the – a lot of recognition around the world” and attract more investors. *See*

exhibit **KVT-14** at pg. 60. Further, internal communications at Stanford indicate that the Antigua 20/20 Cricket tournament was viewed as a “great opportunity to showcase the Stanford brand” and that they “look[ed] forward to hosting clients and prospects during the Stanford 20/20 matches.” See exhibits KVT-80 and KVT-81. Thus, the goal of those services was to expand the recognition and reputation of the Stanford Entities, and thereby extend the Ponzi scheme, which would have added no value to the Stanford Entities because investor funds create a liability, not an asset, for a financial institution or in this case, one run as a Ponzi scheme. Any value from the additional investments into a Ponzi scheme would be due from income derived from the investment of the funds, which we know did not occur, except on a very limited basis, and these investments ultimately lost value. The revenue from investments and the investments themselves were fictitious. (See exhibit KVT-8, paragraphs 31-33. Moreover, the expenses incurred by the Stanford Entities to put on the Antigua 20/20 Cricket tournaments were many times over the value of the payments received by Stanford from the sponsorships.

63. The ultimate goal of the services provided by the Defendants in making recommendations for political donations, providing access to politicians, and improving the reputation of R. Allen Stanford and the Stanford Entities was to give the appearance of legitimacy and credibility to the Stanford Entities and R. Allen Stanford in an effort to extend the Ponzi scheme by attracting more investors. As stated previously, this would have added no value to the Stanford Entities because investor funds create a liability, not an asset, for the Ponzi scheme. Any value from the additional investments into a Ponzi scheme would be due from income derived from the investment of the funds, which we know did not occur. The revenue from investments and the investments themselves were fictitious.

64. In Mr. Caperton's testimony, he indicates that one service provided to the Stanford Entities in exchange for reasonably equivalent value was the advice Mr. Barnes provided regarding the Caribbean airlines purchase by Stanford. In describing the service provided, Mr. Caperton testified "The fact that Stanford, you know, wanted an airline – you know, I think it ultimately failed because Caribbean airlines are notoriously difficult to make money at, but that was –that was a plus for the Stanford Group and for the Stanford creditors. " See *exhibit KVT-93*, at page 122. Caperton's testimony that this purported service provided reasonably equivalent value is unsupported. In fact, over \$270 million of SIB CD funds were funneled to Caribbean Sun Airline Inc. and Caribbean Star Airlines Ltd., and that these entities ultimately lost in excess of \$301 million. The advice provided by BBG is inconsistent with providing value.

The Defendants Ignored Multiple Warnings Signs About the Nature of the SIB CD Program

65. Based on our investigation regarding the Stanford Ponzi scheme and the facts and circumstances leading up to its collapse in late 2008 and early 2009, there were a number of "warning signs" or "red flags" that should have prompted significant concerns by the Defendants regarding the nature and validity of the business activities of the Stanford Entities, the SIB CDs and the underlying investment portfolio as well as the credibility of the sole owner of Stanford Entities operating the Ponzi scheme, R. Allen Stanford.

SIB Was An International Bank in Antigua

66. The fact that the SIB CDs were being sold by an international bank in Antigua, alone, should have prompted significant concerns and reasonably lead the Defendants to make further inquiries. Because SIB was an international bank, the Defendants would have known there was no FDIC insurance coverage of the CDs or any similar insurance protection. That is one of the well-known risks of investing with international banks. Moreover, Antigua, a country with a population today of approximately 85,000 people, is and has been well known in the United States for its lack of adequate regulation of the financial sector. The Barnes Defendants cannot deny knowledge of this concern, as Mr. Caperton testified that the fact that Stanford owned offshore banks was one of the reasons the Democratic Senatorial Campaign Committee rejected Stanford donations. See *exhibit KVT-93* on page 109. In fact, had the Barnes Defendants inquired, they could have learned that there were only three bank examiners in the Financial Services Regulatory Commission of Antigua who are responsible for all of the banks in Antigua. The entire country's gross domestic product for 2009 was \$1.55 billion and its 2009 annual expenditures were \$293 million (which put the country at a deficit), both amounts being small fractions of the value of assets claimed to be deposited with SIB in Antigua during that same time period. (See <https://www.cia.gov/library/publications/the-world-factbook/geos/ac.html>.) Had the Defendants reviewed similar publically available information prior to 2009, they would have found that the GDP and annual budget for Antigua were comparable. It is not surprising that a government with such limited resources was unable to adequately oversee SIB along with the many other banks operating on the island, and this fact should have caused significant concerns to the Defendants and reasonably lead the Defendants to make further inquiries. Given the Defendants' access to high-ranking Stanford personnel, they could have made inquiries concerning the legitimacy of the Stanford operations.

67. Mitchell Delk was retained by Defendants to work on Stanford matters. Mr. Delk specifically brought to the team experience with financial institutions in addition to his lobbying abilities. Mr. Delk was an investment banker at First Boston for five years and counsel to SEC Chairman Richard Breedon. (See exhibit KVT-59, at 32 and 33). This experience at least would have provided Mr. Delk with the background regarding the offshore banking risks as well as many of the risks noted below.

The Defendants Were Aware of Regulatory Violations by SGC Concerning the Sale of SIB CDs

68. On September 12, 2005, SGC received a letter from the SEC addressing multiple issues, including the commission structure paid to SGC relating to SIB CDs. Specifically, the letter stated that the commission structure would result in SGC receiving a referral fee of 15% of the amount invested on a SIB CD with a 60-month maturity, which the SEC said was more than any rate legally allowed. See exhibit KVT-86. SGC financial statements, which were publically available, referred to the letter regarding this SEC investigation in 2005, 2006, and 2007. On December 6, 2006, Ben Barnes emailed R. Allen Stanford stating, “I have some important thoughts regarding the SEC matter that I need to discuss with you at your earliest convenience (emphasis in original)”. It’s important.” See exhibit **KVT-15**. Thus, the Barnes Defendants actually knew about ongoing SEC investigations and by virtue of the publically available SGC financial statement disclosures, had access to information that, if acted upon, would have either led them to the existence of that letter, or caused significant concerns if the letter they knew existed was not forthcoming upon request.

69. Further on February 28, 2008, Mitchell Delk sent a draft of an agenda for a meeting with Yolanda Suarez to James Conzelman. One of the items on the agenda was “SEC

investigation” with the comment “Leader can not [sic] be deposed.” *See* exhibits KVT-89 and KVT-90. Additionally, on January 20, 2009 Mitchell Delk provided Ms. Suarez with recommendations for SEC enforcement related counsel to address the issue. *See* exhibit **KVT-16**. These emails and the other circumstances described above show that over the course of their relationship with the Stanford Entities and R. Allen Stanford, the Defendants were aware of SEC investigations into the Stanford Entities. Such knowledge should have caused significant concerns on the part of the Defendants concerning the nature of the Stanford operations and reasonably lead the Defendants to make further inquiries concerning same.

70. Further, had the Defendants inquired whether other regulatory bodies were similarly investigating the Stanford Entities, the Defendants may well have learned that the NASD concluded as early as 2006 that SGC violated NASD rules through “unwarranted and misleading” assertions that SIB’s portfolio investments were “prudent”—at a time when SGC admitted that “no one at SGC knows what the investments are.” *See* exhibit KVT-87.

Defendants Were Aware of Reputational Issues with R. Allen Stanford and the Stanford Entities

71. In addition to the above information concerning Stanford, the Defendants were aware of other facts concerning Stanford that should have reasonably led them to make further inquiries. As stated above, Barnes was aware of concerns raised by the media and politicians about Stanford’s credibility and even suggested that R. Allen Stanford enlist the services of an online reputation firm to improve his online reputation. Barnes indicated that this and the hiring of a law firm that specializes in federal elections would also be helpful in improving Stanford’s ability to give influential campaign donations. John Rafaelli, Mitch Delk, and Wyeth Wiedeman agreed with the strategy. *See* exhibit **KVT-55**.

72. Ben Barnes was also aware that R. Allen Stanford did not “vet” with the Democratic Senatorial Campaign Committee (“DSCC”) because it was the DSCC’s position that “Stanford Financial...has lobbied for weakening of US money laundering laws and regulation of offshore banking.” *See* exhibits **KVT-82 to KVT-83**.

73. Further, the Defendants were aware of instances where R. Allen Stanford solicited letters of recommendation intended to help grow his operations in Latin America, which contained obviously false information. As stated previously, BBG provided a reference letter to a Venezuelan banking official in support of Stanford’s application for approval to operate a commercial bank in Venezuela which stated that Barnes had known R. Allen Stanford for more than 25 years. *See* exhibit **KVT-57**. As previously discussed, Ben Barnes admits that prior to the early 2000s he didn’t know anything about R. Allen Stanford. *See* exhibit **KVT-14** at pg. 33.

74. Irrespective of the information BBG had in its possession and its ability to have personal access to the main perpetrators of the ponzi scheme, Mr. Caperton indicates that very few, if any, questions were ever posed regarding the economic sustainability or legitimacy of the Stanford Entities.

SIB’s Investment Returns Were Too Good To Be True

74. The high rates of return and consistent profitability of the SIB CD portfolio that were reported by SIB, at a time when the world economy was in crisis, likewise should have caused significant concerns to the Defendants and reasonably led them to further inquiries regarding how the SIB CD portfolio was invested and how it could achieve such results. The claimed historical performance of SIB’s CDs was extraordinary, to say the least. SIB offered CD rates that were significantly greater than those offered in the United States. In its own

marketing brochure, SIB included the following comparison in the yields of SIB CDs versus average U.S. Bank CD yields between 1997 and 2006:

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
SIB Yield (%)	10.13	9.25	8.71	9.625	9.13	7.17	6.38	6.21	6.52	7.13
U.S. Yield (%)	5.8	5.3	4.9	5.85	3.55	1.85	1.78	2.7	4.46	5.08

Defendants Had Sufficient Information Such That They Could Have Known That SIB's Representations Regarding Their Investment Strategy and Purported Consistent Investments Returns Was Unusual

75. The extraordinary returns provided by the SIB CDs were particularly unusual considering SIB's representations regarding its conservative investment strategy and emphasis on guaranteed returns to its CD customers. As a general rule, in order to achieve higher levels of returns, it is necessary to take on a higher level of investment risk. Here, SIB in essence claimed to buck this trend by providing consistent and positive returns. SIB's claimed conservative investment strategy also did not square with the information SIB made available to the public about its portfolio. For example, in its 2007 annual report, which was available to the public, SIB claimed that its investment portfolio at fair value consisted of 58.6% equity, 18.6% fixed income, 15.6% alternative investments (i.e. hedge funds) and 7.2% precious metals. SIB's investment allocation for the years prior, going back to at least 2004, was very similar to this. Other than the fixed income, the performance of every component of this investment allocation was volatile and subject to significant risk, particularly in the 2004 through 2007 time period. Even fixed income has risk. At a minimum, this apparent disconnect between a conservative investment strategy and consistent and/or above-market returns should have caused significant concerns with the Defendants.

76. By reviewing SIB's financial statements, a basic exercise that someone such as Ben Barnes, who attends meetings of the Investment Committee of the LBJ Foundation (see exhibit KVT-88) would have the ability to perform, the Defendants likewise would have seen that SIB's apparent assets were volatile and subject to change and that even a small drop in market performance of SIB's portfolio would have caused the total reported assets to become insufficient to pay CD obligations. For example, in 2007 a mere drop of 4.50% of the reported financial assets would have resulted in SIB's combined cash, cash equivalents and reported financial assets being less than their outstanding purported CD obligations. Indeed, non-Stanford CPAs advising SGC customers came to these conclusions based on presumably the same or even less information than was available to the Defendants. Mr. Caperton testified that BBG received SIB annual reports, the quarterly newsletter (the Stanford Eagle), and other publications. See *exhibit KVT-93*, at page 47, page 67, and 75. All of this information would have provided the necessary information to conclude, as some investor outsiders did, that the economic realities of the SIB CDs were highly volatile and not sustainable. Instead, even in the face of other factors that should have caused concerns and, with the Defendants access to high-ranking Stanford personnel which would have allowed them to inquire further about the Stanford operations, they either chose not to review the information in their possession or they reviewed the information and failed to make appropriate inquiries concerning the same.

I state under penalty of perjury that the foregoing is true and correct. Executed on this
9th day of January, 2015.

A handwritten signature in black ink, appearing to read 'Karyl Van Tassel', written in a cursive style.

Karyl Van Tassel

EXHIBIT KVT-13

Stanford Financial Group Receivership*Listing of Payments Made to Ben Barnes and Ben Barnes Group, L.P.*

Date	Amount	Payor
6/30/2005	\$ 1,000,000.00	Stanford Financial Group Company
12/7/2005	500,000.00	Stanford Financial Group Company
1/19/2006	20,000.00	Stanford Financial Group Company
2/28/2006	500,000.00	Stanford Financial Group Company
7/31/2006	68,466.90	Stanford Financial Group Company
2/22/2007	325,000.00	Stanford Financial Group Company
4/17/2007	325,000.00	R. Allen Stanford
7/2/2007	265,000.00	R. Allen Stanford
8/2/2007	265,000.00	R. Allen Stanford
9/18/2007	265,000.00	R. Allen Stanford
10/19/2007	265,000.00	R. Allen Stanford
12/10/2007	265,000.00	R. Allen Stanford
2/29/2008	150,000.00	Stanford Financial Group Global Management
4/30/2008	100,000.00	Stanford Financial Group Company
6/2/2008	375,000.00	Stanford Financial Group Global Management
7/18/2008	55,000.00	Stanford Financial Group Global Management
8/15/2008	55,000.00	Stanford Financial Group Global Management
10/24/2008	110,000.00	Stanford Financial Group Global Management
11/7/2008	55,000.00	Stanford Financial Group Global Management
2/13/2009	110,000.00	Stanford Financial Group Global Management

EXHIBIT KVT-14

Case No. 3:10-cv-0527-N-BG
Oral Videotaped Deposition of Benny Frank Barnes

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

RALPH S. JANVEY, IN HIS CAPACITY AS)
COURT-APPOINTED RECEIVER FOR THE)
STANFORD INTERNATIONAL BANK, LTD.,)
ET AL., AND THE OFFICIAL STANFORD)
INVESTORS COMMITTEE,)
Plaintiffs,) Case No. 3:10-CV-0527-N-BG
v.)
BEN BARNES and BEN BARNES GROUP,)
L.P.,)
Defendants.)

ORAL VIDEOTAPED DEPOSITION OF
BENNY FRANK BARNES

ORAL DEPOSITION OF BENNY FRANK BARNES, produced as
a witness at the instance of the Plaintiff, Official Stanford
Investors Committee, and duly sworn, was taken in the
above-styled and numbered cause on the 28th day of October,
2014, from 10:02 a.m. to 1:50 p.m. before LINDI S. ROBERTS,
Certified Shorthand Reporter in and for the State of Texas,
reported by machine shorthand, at the offices of Winstead, PC,
401 Congress Avenue, Suite 2100, Austin, Texas 78701,
pursuant to the Federal Rules of Civil Procedure.

Lindi S. Roberts & Associates
(830)228-4634/(830)609-0266

APP000044

Case No. 3:10-cv-0527-N-BG
Oral Videotaped Deposition of Benny Frank Barnes

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15

ALSO PRESENT: Nancy Martin, Videographer

16

Kent Caperton

17

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19

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Case No. 3:10-cv-0527-N-BG
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Case No. 3:10-cv-0527-N-BG
Oral Videotaped Deposition of Benny Frank Barnes

1 THE VIDEOGRAPHER: This is the videotaped
2 deposition of Ben Barnes; In the Matter of Ralph S. Janvey, et
3 al versus Ben Barnes and Ben Barnes Group, L.P.; Civil Action
4 No. 3:10-CV-0527-N-BG; for the U.S. District Court, Northern
5 District of Texas, Dallas Division; held in the Offices of
6 Winstead, P.C. at 401 Congress Avenue, Suite 2100, Austin,
7 Texas.

8 This is the beginning of Tape One. Today's date
9 is October 28, 2014. We are on the record at approximately
10 10:02 a.m.

11 BENNY FRANK BARNES,
12 having been first duly sworn, testified as follows:

13 EXAMINATION

14 Q. (BY MR. CASTILLO) Sir, would you state your full
15 name.

16 A. Benny Frank Barnes.

17 Q. And Mr. Barnes, when were you born?

18 A. April 17th, 1938.

19 Q. Where?

20 A. Gorman, Texas.

21 Q. Okay. And have you ever had your deposition taken
22 before?

23 A. Yes, sir, I have.

24 Q. On how many occasions?

25 A. On several occasions. A lot -- a lot of times when I

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Oral Videotaped Deposition of Benny Frank Barnes

1 was in office and when I was in private practice.

2 Q. Enough times that you're familiar with the process?

3 A. Yes.

4 Q. Okay. And you shake your head like painfully so.

5 A. The shorter the better. I was the defendant in about
6 a dozen redistricting suits when I was in office. And I gave
7 my deposition when the legislature was not in session. I
8 almost gave my deposition all summer long for -- in two years.

9 Q. All right.

10 A. So I got a -- I got a Ph.D. in redistricting.

11 Q. So, Doctor Barnes, you're an expert in depositions as
12 well?

13 A. Not depositions, but redistricting depositions.

14 Q. All right. And so we'll follow the same process
15 where I'll ask you questions and if you understand them,
16 you'll answer them; and I'll wait until you finish your answer
17 before I start my next question.

18 Sometimes I talk a little slower than I think
19 and so you may think that I'm finished with my question, but
20 I'm not. So we'll -- I think we'll work through this process,
21 sir.

22 A. I suffer from that same disease.

23 Q. Thank you, sir. Where did you get your undergraduate
24 education?

25 A. The University of Texas and at TCU and at John

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1 Tarleton.

2 Q. And what year did you graduate from the University of
3 Texas?

4 A. I went into the law school on a three-year plan. I
5 went into law school in 1960 after -- after completing 90
6 hours at the university and business school.

7 Q. Okay. Did you get your -- a BA degree?

8 A. No, I never got a BA degree.

9 Q. All right. So your degree at the University of Texas
10 is a Doctor of Law or JD?

11 A. No, I -- I didn't complete the -- my law school
12 commitments to get a degree. I have enough -- I had enough
13 hours, but -- to take the bar, but I didn't ever even take the
14 bar either.

15 Q. All right. So technically you didn't get a degree
16 from the University of Texas?

17 A. That's right.

18 Q. All right. Or any other college?

19 A. Several honorary degrees.

20 Q. All right. And what year did you finish your last
21 year at the University of Texas?

22 A. 1966.

23 Q. Other than attending classes at the law school, did
24 you have what we would equate to a major in your undergraduate
25 studies?

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1 A. General business.

2 Q. All right. And did you start working right after you
3 finished your classes at the University of Texas law school?

4 A. I was elected to the legislature in 1960 when I was a
5 freshman in law school.

6 Q. All right. And I guess you were 21 years old,
7 approximately, when you were first elected?

8 A. 22 when I was sworn in.

9 Q. Okay. And what district was that?

10 A. District 64.

11 Q. And how long did you serve in that capacity?

12 A. Eight years.

13 Q. Were you working besides being a legislator?

14 A. I was associated with a construction company in
15 Brownwood sometime during the mid 1960s. I don't remember
16 exactly when.

17 Q. And what was your role with the construction company?

18 A. I was to look around all -- the State of Texas for
19 sites to develop shopping centers and apartments.

20 Q. Do you remember the name of the construction company?

21 A. Yes.

22 Q. What was it?

23 A. The Herman Bennett Company.

24 Q. All right. And after working for the construction
25 company -- or how long did you work for the construction

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1 company?

2 A. Well, I worked for it part time for a few years and
3 then I -- in 1973 I became an owner -- a part owner of the
4 construction company and worked in the construction business
5 from 1963 until 1988 -- '87 or '88.

6 Q. Any other employment during that period of time other
7 than working for the construction company?

8 A. We did other things -- other construction. But, yes,
9 no other -- other than just with that company and other
10 companies related to that company.

11 Q. All right. But, I mean, your -- your place of
12 employment, your ownership was with that company?

13 A. Yes.

14 Q. All right. And at the same time you were still in
15 the legislature?

16 A. I was in the legislature from 1960 to 1969.

17 Q. Then what happened?

18 A. I was elected Lieutenant Governor in 1968 and I
19 served as Lieutenant Governor from 1969 until 1973.

20 Q. You were elected for two terms?

21 A. Yes.

22 Q. And you served as Lieutenant Governor for Governor
23 Connally?

24 A. No, for -- Governor Smith was -- was governor. But
25 in Texas, as you well -- so well know, and much more familiar

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1 with Texas government than I am (sic), but the governor and
2 the lieutenant governor don't run together in Texas. You --
3 it's a separate office, a separate campaign.

4 Q. Right. They're different -- different terms, aren't
5 they?

6 A. Yes.

7 Q. Okay. And why did you decide not to run for a third
8 term as lieutenant governor?

9 A. I ran for governor in 1972.

10 Q. Okay. And who did you run against?

11 A. Dolph Briscoe, Frances Farenthold, and two other
12 minor candidates whose names I don't even remember.

13 Q. Okay. And you ran on the democratic side?

14 A. Yes, I did.

15 Q. Okay. Were you working doing something else besides
16 being the lieutenant governor full time, during that period of
17 time that you were the lieutenant governor?

18 A. I'm still affiliated with the Herman Bennett Company.
19 But I was mostly working full time as lieutenant governor.

20 Q. All right. Up until this point when you served as
21 lieutenant governor up through '73, were you doing any other
22 type of separate consulting work or a role as an adviser to
23 anybody else other than the company that you had a interest
24 in?

25 A. No, I did not. I held several national and

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1 international posts during that time that -- that took up a
2 lot of my time when I was outside of the office of lieutenant
3 governor.

4 Q. Okay. And what type of national post did you hold
5 during that period of time?

6 A. I was President of the Southern Legislative
7 Conference; and then I was President of the National
8 Legislative Conference; and then I was Chairman of the Council
9 of State Governments; and then I served as a Special
10 Ambassador to NATO; and I served as a Special Ambassador to
11 the United Nation; and I served as a Special Representative
12 to -- of the United States to a conference in hun -- on hunger
13 in Rome.

14 Q. Okay. During your role as a member of a council or
15 ambassador to some of these -- the NATO or United Nations or
16 council for hunger, did you have any role in looking at
17 offshore banking?

18 A. No.

19 Q. Have you ever been in any role where you've had a
20 role in looking at the oversight of offshore banking?

21 A. In the year -- in the period of the 2000s, yes, I
22 looked at -- I looked at the statutes pertaining to some of
23 the laws concerning offshore banking.

24 Q. Okay. And was that at the time when you already had
25 formed Ben Barnes Group?

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1 A. Yes.

2 Q. All right. Other than through your entity, Ben
3 Barnes Group, did you have any role as an ambassador or as a
4 council member where you had some responsibility to look at
5 the oversight of offshore banking?

6 A. No.

7 Q. Okay. And we'll get to the details of your looking
8 at the statute concerning offshore banking --

9 A. Yeah.

10 Q. -- after the -- in the 2000s.

11 A. Yeah.

12 Q. All right. After your unsuccessful run for governor,
13 what did you do?

14 A. I became president of the Herman Bennett Company.

15 Q. The same construction company that we're --

16 A. Yes.

17 Q. -- you were talking about earlier?

18 A. That's right.

19 Q. Was it still based in Brownwood?

20 A. Yes.

21 Q. Did it have operations anywhere other than in the --
22 or offices other than in the Brownwood area?

23 A. Other than construction offices on job sites where we
24 were doing construction jobs, no.

25 Q. Okay. And did it continue to do the same type of

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1 developments that you described earlier: Shopping centers?

2 A. Yes.

3 Q. Was it mainly commercial?

4 A. It was mainly commercial, but we had some -- about
5 50 percent of our work was our own work and 50 percent was bid
6 work, where we built schools and hospitals.

7 Q. Okay. And how long did you stay in that position as
8 the president of Herman Construction Company (sic)?

9 A. From 1973 until 1985 or '86.

10 Q. Then what happened?

11 A. We formed a -- the Barnes-Connally Development
12 Company and formed Ben Tex Construction Company.

13 Q. And the Barnes-Connally Construction Company --

14 A. That was -- that was a development company.

15 Q. Was it to develop specific pieces of property or
16 generally a development company --

17 A. To -- to continue the same type of business that I
18 had done with the Herman Bennett Company.

19 Q. Okay. What caused you to leave the Herman
20 Construction Company (sic)?

21 A. Herman Bennett was getting older and -- and we had
22 development to be done in Austin, a very large tract of land
23 that later became the Barton Creek Country Club, and so I
24 moved to Austin really to develop that country club.

25 Q. Okay. What type of development, other than Barton

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1 Creek Country Club, did the Barnes-Connally Development
2 Company do?

3 A. We did condominiums on Padre Island; condominiums in
4 Ruidoso, New Mexico; shopping centers in various and sundry
5 cities in Texas. We did apartment houses in several cities in
6 Texas. We did office buildings in Houston and in Austin. We
7 did other commercial developments that I don't recall at this
8 time. But there are probably some other things other than
9 apartments and office buildings and shopping centers.

10 Q. And what was your area of expertise that you
11 contributed to the Barnes-Connally Construction Company?

12 A. Well, by osmosis and being in the business from '73
13 until I got out of the business, I learned by mistake and by
14 experience some expertise about developing shopping centers
15 and apartments and single-family developments.

16 And I had already had some training perhaps to
17 know how to talk to public officials, county judges, county
18 commissioners, city council, mayors, planning and zoning
19 commissioners. All of the part of local governments that
20 political subdivisions have over development in Texas and in
21 other states. And so I spent a good bit of my time visiting
22 with county commissioners and mayors and city council people.

23 Q. Okay. And that's what I kind of envisioned, that
24 that would be your role. If you needed a waiver of an
25 ordinance or something, that you would be the person that

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1 would make the contact with the public officials to see if you
2 could get that done.

3 MR. MADRID: Objection, form.

4 Q. (BY MR. CASTILLO) Would that be kind of accurate?

5 A. Yes, that would be accurate.

6 Q. Okay. And the same thing with the city? If the city
7 had some favorable zoning issues or unfavorable zoning issues,
8 you would be the type of person that could talk to city
9 officials about --

10 A. Well, attempt to talk to city officials.

11 Q. Attempt to talk to city official. Okay. And at that
12 point were you ever registered as a lobbyist for any city or
13 county?

14 A. No, not to my knowledge.

15 Q. Okay. Have you ever become registered to be a
16 lobbyist for any city -- at any city?

17 A. I don't recall.

18 Q. How about for any county?

19 MR. MADRID: Well, let me ask a clarification.

20 MR. CASTILLO: Yes, sir.

21 MR. MADRID: Jesse, when you say "you," are you
22 referring to Mr. Barnes, individually, or the entity that he
23 is representing?

24 MR. CASTILLO: Right now, him individually.

25 Yes, sir.

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1 MR. MADRID: Okay.

2 A. No, not individually.

3 Q. Okay. At some point did you ever become registered
4 -- you, individually -- as a lobbyist for the United States
5 Congress?

6 A. No, not to my knowledge. And I was -- any
7 registration that I did in any lobbying was -- that was the
8 firm, not me as an individual.

9 It was always the -- it was -- at one time it
10 was called Entrecorp and then -- and then the name was changed
11 to -- well, it was Entrecorp and then Barnes-Connally and then
12 the Herman Bennett Company -- or Herman Bennett Company and
13 then Barnes-Connally and then later the Ben Barnes Group, but
14 it was -- it was always a company.

15 Q. It was always the entity that was registered --

16 A. Yes.

17 Q. -- as the lobbyist?

18 A. That's right.

19 Q. Okay. And that registration as a lobbyist would have
20 been limited to the United States Congress or to Washington,
21 D.C.?

22 A. Well, you -- different states have different laws and
23 we always complied with the law in the state in which we were
24 operating. And then there's -- there are federal laws, of
25 course, that we complied with.

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1 Q. Okay. Okay. And we'll get to, I guess, some of the
2 details of that lobbying effort under U.S. federal law in a
3 little bit.

4 A. Okay.

5 Q. Tell me a little bit about the evolution of the
6 company so that it became from Entrecorp to finally the Ben
7 Barnes Group.

8 A. I think probably we named it Entrecorp when we got
9 started in the late '80s. And then I think -- and I don't --
10 I'm not certain of this, but I think maybe my partners -- the
11 other people in my company came to the conclusion that it was
12 probably better for us to be named the Ben Barnes Group than
13 it was Entrecorp, as far as getting our -- knowledge of our
14 firm out in the marketplace.

15 Q. Okay. And I know you're probably modest. But why
16 would they want to change it to the Ben Barnes Group and have
17 your name on it?

18 A. Well, I think they had very good judgment. No.

19 Q. Is the answer obvious?

20 (Laughter)

21 A. No, I -- they made the decision, I didn't.

22 Q. Okay.

23 A. Yeah.

24 Q. And they made the decision to capitalize on your
25 name?

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1 A. Well, I don't know whether it capitalized on my name
2 or not, but they -- they decided that it was best to be named
3 the Ben Barnes Group.

4 Q. All right. And then Ben Barnes Group, is that a
5 limited partnership?

6 A. Yes.

7 Q. And who are the -- do you know who the general
8 partner is of Ben Barnes Group, L.P.?

9 A. I am.

10 Q. And do you know who the limited partners are?

11 A. No, I don't know exactly how that's all set up. I'll
12 have to get that for you.

13 Q. How many limited partners do you think you have?

14 A. Well, I don't know that I have limited partners. I
15 have partners, but I don't know whether they're limited
16 partners as far as the way the whole corporation is
17 structured. I don't -- I'm not certain of that.

18 Q. Okay. And how many partners do you think you have?

19 A. One, two, three, four.

20 Q. And I know you're looking at Mr. Caperton -- or
21 Senator Caperton. Was he -- is he one of the partners?

22 A. He certainly is.

23 Q. And who are the other three --

24 A. His feelings would be hurt if I didn't look at him
25 first.

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1 MR. MADRID: Let me lodge just a form --
2 objection to form.

3 Okay. Go ahead.

4 A. He --

5 Q. Who are some of the other partners?

6 A. He's the most important partner.

7 SENATOR CAPERTON: Here, yeah.

8 A. Wyeth Wiedeman, Scott Moorhead and Patsy Thomasson
9 and certainly Mr. Caperton.

10 Q. And do you continue operating as Ben Barnes Group,
11 L.P.?

12 A. Yes.

13 Q. All right. And you're one of the part -- well,
14 you're the general partner of the limited partnership,
15 correct?

16 A. Yes.

17 Q. All right. And so the jury can understand: Where
18 does Ben Barnes Group, L.P. have offices?

19 A. We have offices in Austin and in Washington.

20 Q. And how long have you had -- Ben Barnes Group, L.P.
21 had an office in Washington?

22 A. Oh, I don't recall. Probably 20-plus years. I don't
23 know.

24 Q. If someone were to ask you at a cocktail party:
25 "What does Ben Barnes Group do?" what would your answer be?

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1 A. I'd try to change the subject. No, we -- I would say
2 that we are a consulting firm; a firm that has the ability to
3 represent various and sundry people that have government
4 problems, business problems that need to understand better the
5 regulatory process in state government, local government and
6 the federal government.

7 Q. Does the Ben Barnes Group have literature that
8 describes the company?

9 A. We have a website.

10 Q. All right. Beyond -- do you have something like a
11 brochure or a pamphlet or something that you can --

12 A. No. No, we don't have a brochure.

13 Q. So the information on the website for Ben Barnes
14 Group kind of reflects the purpose of the firm and --

15 A. Yes.

16 Q. -- what it's able to deliver --

17 A. Yes.

18 Q. -- to its potential clients?

19 A. Yes. Many thousand hits a day -- I wish.

20 Q. And that ability to represent various and sundry
21 clients or people that may need to understand the regulatory
22 process better, does that include every state in the -- in the
23 union?

24 A. We certainly have the potential to find
25 representation in all the states. We could go find somebody

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1 in Maine or Alaska that would probably understand what the
2 specific political terrain was in that state.

3 Q. Okay. How about within its own assets? Within Ben
4 Barnes Group, is it tailored to a particular state or is it to
5 the federal system or what?

6 A. I'd say it's tailored to the federal government and
7 also to the -- of course, we live in Texas and it's -- it has
8 a great deal of business from Texas.

9 Q. Okay. Other than the partners that you've named, how
10 big of a staff does Ben Barnes Group have, for instance, in
11 Austin?

12 A. Three, four, five -- five other full-time employees.
13 And probably we -- various and sundry interns work at our firm
14 from time to time and that varies from two or three interns at
15 a time.

16 Q. Yes, sir. And how about in the Washington, D.C.
17 office?

18 A. We have two full time and -- and also a lot of
19 interns that go through our offices there.

20 Q. And if someone were to engage your services, how do
21 you sell your service or how do you get paid for your
22 services?

23 A. We get paid by monthly fees and success fees.

24 Q. Is there something in -- within the firm that sets
25 forth how much you would charge a particular client or is that

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1 on a case-by-case basis?

2 A. Case-by-case basis.

3 Q. And do each of the partners have the ability to make
4 that decision of how much a particular client is going to be
5 billed on a monthly basis for the services?

6 A. By and large they do.

7 Q. And do each of those partners have the ability to
8 enter into an agreement with a potential client to represent
9 them on a success fee?

10 A. It depends on the client, but probably not on -- it
11 depends on the client.

12 Q. Okay. And if a partner brought a client and said,
13 "Mr. Barnes, we're interested in representing this particular
14 client on a success fee," who would ultimately make that
15 decision?

16 A. Well, there's several of us would. No contracts are
17 written or agreed to unless they go across Mr. Caperton's
18 desk.

19 Q. All right. Is he reviewing for legal?

20 A. For legal and -- but it's for discussion purposes for
21 what the scope and purpose of the contract is.

22 Q. I'm kind of more interested in the business side of
23 it.

24 A. Yes.

25 Q. Who is -- who is or who are the people who would make

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1 the decision that it makes business sense?

2 A. We -- several of us. I'm very proud of the fact that
3 we don't have a high rate of turnover in my firm. Wyeth
4 Wiedeman has been with me now almost 25 years. He was working
5 in a clothing store a few blocks from here when I hired him.
6 He was still at the University of Texas. He's been there 25
7 years.

8 Kent Caperton I've known for 35 years and he's
9 been with my firm now probably a decade. I don't know
10 exactly. It probably seems like three days for him and a
11 century for me. But -- but anyway, he's been there for long
12 periods of time.

13 The -- Patsy Thomasson left the Clinton
14 administration and almost went to work immediately for us.

15 Scott Moorhead, our chief -- now chief operating
16 officer, is a young man that's been with our firm now probably
17 eight years.

18 But all of us enjoy an informal working
19 relationship and we all have input into -- into clients and
20 what the value of what they're asking us to do. And it's a
21 general discussion. There's not any one person that makes an
22 absolute decision.

23 Q. Okay. Okay. And I guess I equate the success fee
24 kind of like a lawyer representing a client on a contingency
25 fee, where you get paid if you're successful.

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1 A. Well, I'm sure you're aware of the federal statute
2 that you cannot receive a success -- a contingency fee for
3 anything that involves a federal appropriation whatsoever. So
4 you can't have success fees with a lot our clients because of
5 the federal law.

6 Q. If it involves a federal appropriation for whatever
7 it is you're trying having to have success --

8 A. Yes. Sure.

9 Q. -- on?

10 A. Yes.

11 Q. Okay. And the monthly fees -- is there, for
12 instance, a schedule that we know that Mr. Caperton might be
13 billing \$500 an hour; so if it's going to take a certain
14 number of hours for him a month, that's what we're going to
15 set that monthly fee for?

16 A. Well, we're not blessed like law firms like -- that
17 you represent, sir, that we can charge these big hourly fees.
18 And so we have to figure out what kind of -- what the -- kind
19 of the hours we're going to put in up front and estimate what
20 we're going to do.

21 I've always longed to be able to go charge
22 \$1,000, \$2,000 an hour like law firms do, but I've not been
23 able to do that.

24 Q. Okay. So you're able to -- what you are telling the
25 jury is that you try to anticipate the number of hours it's

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1 going to take your particular staff members for a project
2 and -- and set your monthly fee accordingly?

3 A. That's true.

4 Q. All right. Is there some type of mathematical
5 calculation or form --

6 A. No.

7 Q. -- that you fill out?

8 A. No, there's not.

9 Q. Is it something that you just develop because of your
10 experience?

11 A. Because of our experience and -- and, again, the
12 informality of our firm is such that we're all talking to one
13 another hourly, daily, weekly. It's not hard to find out what
14 someone else thinks some client ought to be charged or what we
15 ought to be doing.

16 Q. Okay.

17 A. And, also, we don't work on a client -- we all work
18 on them, but, you know, it's -- if it's Senator Caperton's
19 responsibility for the client, he's going to have jurisdiction
20 over that client and what he has to -- he'll have a lot more
21 to say about what's going to be charged because he's going to
22 know.

23 Q. He's going to want to be comfortable with the monthly
24 fee and he's going to make sure it generates some profit?

25 A. That's right.

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1 Q. At the end of the year do people get evaluated as
2 partners on what they were able to bill and collect for that
3 year?

4 A. We have a -- we have a bonus program, but we also --
5 it's at different times of the year. Again, this firm does
6 not have a policy in writing on what's going to happen. It's
7 what we all decide.

8 Q. You mentioned earlier -- and I want to follow up to
9 that. Do you have a contract that Ben Barnes Group has
10 developed in order to communicate to the client what's going
11 to be charged and what work you're going to give in exchange
12 for that?

13 A. We do.

14 Q. And when was that developed?

15 A. Four or five years -- five or six years ago, seven
16 years ago.

17 Q. All right. So 2007, maybe? '07-ish?

18 MR. MADRID: Objection, form.

19 Go ahead.

20 A. I don't -- I don't really know. Senator Caperton
21 wanted to prove he -- that he was worth a lot of money and he
22 came in and said, "We ought to be developing this form. And I
23 can -- with my legal expertise and background, I can develop
24 it and do a hell of a job, so let me develop this form."

25 Q. Okay. But he joined you 35 years ago.

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1 A. No, he was friends 35 years ago.

2 SENATOR CAPERTON: Ten years ago.

3 Q. (BY MR. CASTILLO) Ten years ago?

4 A. Yeah.

5 Q. All right. So if he -- so if Mr. -- Senator
6 Caperton --

7 A. Yes.

8 Q. -- is the one that developed that contract or the
9 form?

10 A. Yes.

11 Q. Okay. And in that form do you describe what you're
12 going to do for that client?

13 A. Not specifically 1, 2, 3, but -- but general. And
14 when you're complying with the federal law you have to put
15 down in broad terms the extent and purposes for what you've
16 been hired.

17 Q. And do you have to separate in that engagement how
18 much of that time is going to be spent for lobbying efforts
19 for the federal government?

20 A. You don't do it up front. What you do it is as
21 you -- as you represent the client, you decide basically at
22 the end of each month or -- or a certain period, how much time
23 you spent on actual lobbying and how much time you spent on --
24 we call it business representation or representation on
25 problems other than lobby.

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1 Q. And why do you have to do that?

2 A. Because of the United States tax laws. If I'm
3 representing this law firm on a business matter, they can
4 deduct it -- what I'm charged. If it's on lobbying, they can
5 only deduct 50 percent of it.

6 Q. And does Ben Barnes Group have to report the amount
7 that it has collected for lobbying efforts?

8 A. Yes, I think -- I think that's probably accurate,
9 yeah.

10 Q. Okay. And do you know if that report is done
11 annually or monthly?

12 A. It's done quarterly, I believe.

13 SENATOR CAPERTON: Quarterly.

14 Q. (BY MR. CASTILLO) So it's neither. It's quarterly?

15 A. Yes, it's -- and it's -- and it's all a matter of
16 public record. It's easy for you -- it's there. And so
17 whatever is there, is there.

18 Q. Okay. Do you coordinate with the client to make sure
19 that the number they're reporting as lobbying is consistent
20 with what you're reporting as lobbying?

21 A. I really don't know. But our financing -- our
22 financial department probably does that in many cases with the
23 bigger clients. I don't really know.

24 Q. You obviously know that we're here because of
25 Mr. Allen Stanford.

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1 A. Yes, sir.

2 Q. All right. When did you first meet Mr. Stanford?

3 A. I don't know a specific year or -- that I met
4 Mr. Stanford.

5 Q. Did you have -- do you remember when you first had
6 any business dealings with Mr. Stanford?

7 A. Yes.

8 Q. When was that?

9 A. It was -- well, again, I don't remember the specific
10 year and time, but it's sometime in the early 2000s.

11 Q. And what was -- what was the circumstances under
12 which you had a business dealing with Mr. Stanford in the
13 early 2000s?

14 A. Mr. Stanford was recommended to me by Larry Temple
15 and that's the first time I had really heard of Allen
16 Stanford.

17 Q. And Larry Temple is who?

18 A. Larry Temple is a friend of mine -- a lifetime
19 friend. He practices law here. He is a financial institution
20 lawyer. He had a very distinguished career.

21 He's been -- he was a special assistant to John
22 Connally and then chief of staff to John Connally when he was
23 governor. Then he was special counsel for President Johnson
24 in his last two years in the White House.

25 He returned to Texas and became -- set up a

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1 financial institution law practice and he was chairman of the
2 coordinating board, chairman on the Committee of 125 (sic),
3 had -- vice chairman of the Committee on 125 (sic) to evaluate
4 the future of the University of Texas. He's been -- he's
5 president of the Lyndon B. Johnson Library and Foundation.

6 He's a -- I've known Larry since he went to work
7 for John Connally when I was 23 and he was 25 or 26. It's
8 been a lifetime friendship.

9 Q. All right. And sometime in the early 2000s --

10 A. Yeah.

11 Q. -- is your memory of when Mr. Temple --

12 A. Yeah.

13 Q. -- recommended him?

14 A. Yes. It may have been 2000. It may have been 2001.

15 I'm not -- I'm not exactly -- I don't -- I don't remember
16 when.

17 Q. And when did you first meet Mr. Stanford after that
18 recommendation by Larry Temple?

19 A. His -- a lawyer that worked for him, Lawanda --
20 Lawanda Suarez -- Yolanda Suarez, came to see me and then
21 sometime after that I met Mr. Stanford. I don't know whether
22 he came to Austin to see me or whether I saw him when I was in
23 Houston. I don't remember the first meeting.

24 Q. All right. And do you remember what the subject
25 matter was of the first meeting?

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1 A. It's that they were wanting to be more active in
2 Washington. And Larry had told him that he thought that we
3 knew our way around in Washington and they ought to talk to
4 us.

5 And I'm -- there may have been a specific
6 conversation about some -- a specific piece of legislation or
7 something specific, but I don't remember at that time.

8 Q. Okay. Do you remember when you were first -- when
9 the Ben Barnes Group was first hired to actually do some work
10 for Mr. Stanford?

11 A. No. The record should -- should show when we first
12 got paid. I'm sorry. I don't remember when.

13 Q. So the first time that you did something for
14 Mr. Stanford would have been around the same timeframe that
15 you would have gotten paid?

16 A. Yes.

17 Q. Okay. Because if you -- you weren't doing him any
18 favors?

19 A. I was very active in the United fund in Austin, not
20 in the United fund in Austin (sic) -- or in Houston or
21 Washington.

22 Q. Okay. And I get the undertone meaning of that, that
23 you weren't doing anything for free?

24 A. Yeah. Right.

25 Q. All right. Prior to meeting with Yolanda Suarez and

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1 some discussion about wanting to know their -- wanting to be
2 more active in Washington, did you know anything about
3 Mr. Stanford?

4 A. Not until I heard from Larry Temple.

5 Q. Did you know anything about his background?

6 A. Not until I was told later.

7 Q. Okay. But up until the time that you were having
8 this meeting with Yolanda Suarez, did you know anything about
9 Mr. Stanford?

10 A. No.

11 Q. Know anything about the nature of his business?

12 A. No. I was told about the nature of his business
13 after I was -- but I didn't know anything about his business.
14 And quite frankly, I don't remember ever hearing -- having
15 heard the name Allen Stanford or the Stanford Corporation.

16 Q. Okay. And you weren't aware that Mr. Stanford had a
17 bank in Montserrat -- the Island of Montserrat?

18 A. No.

19 Q. Okay. Or the reasons he had to leave Montserrat?

20 A. No, I didn't know any of that. I knew that his
21 father lived in Mexia and my old assistant football coach went
22 to Mexia as head coach in Mexia.

23 Q. Okay.

24 A. And so I called my football coach and -- one time, or
25 he called me, and I said, "Do you know the Stanford family

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1 down there?"

2 He said, "Yeah, they're a real good family." He
3 said, "Mr. Stanford" -- being Allen Stanford's dad -- "is a
4 good guy and supports the football team."

5 Q. Okay.

6 A. So that was a --

7 Q. So he and Anna Nicole Smith were both from Mexia?

8 A. I had forgotten about that. I'd have gone to Mexia
9 if I had known Anna Nicole was there -- from there.

10 Q. Yeah, the two famous people from Mexia.

11 I wanted to show you some documents. And this
12 is really just to try to see if we can trigger some thoughts
13 or -- let me show you Plaintiff's Exhibit No. 1.

14 (Exhibit 1 was previously marked)

15 MR. MADRID: Do you have extra copies? If so,
16 great. If you don't --

17 SENATOR CAPERTON: It's not necessary, if you
18 don't. Don't worry about it.

19 MR. MADRID: If you don't, that's fine.

20 MR. CASTILLO: I'm sure we do.

21 Q. (BY MR. CASTILLO) And the reason I ask you this, sir,
22 is this is in a Stanford document and it's concerning airplane
23 usage. And it appears that on September the 3rd, 2002 that
24 they attribute 3.2 hours of a Learjet to you. Do you have any
25 recollection of any trip in September of 2002?

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1 A. No, I have no recollection of that, but -- I don't
2 know about this trip specifically. I know about -- I do
3 remember that Lawan -- Yolanda -- I'll get it right -- Yolanda
4 and I, in our first conversations, said that if they wanted me
5 to do some things before we got a contract negotiated, that
6 they might be willing to give me a lift on their -- on an
7 airplane or two while we were trying to do that.

8 That was -- I think that was -- she was using
9 that to try to -- when we were talking about fees and
10 everything, that that was another form of compensation that I
11 might receive. I don't know whether -- I don't know whether I
12 had my deal worked out or not. But I just see this -- me
13 flying on their airplane and that might have been it.

14 Q. Okay. But I'm -- I'll try to help with some more
15 time issues. Let me show you Plaintiff's Exhibit Nos. 2
16 and 3.

17 (Exhibits 2 and 3 were previously marked)

18 MR. CASTILLO: Here you go, Mr. Madrid.

19 Q. (BY MR. CASTILLO) And I guess the one that I want you
20 to look at first is Exhibit No. 3.

21 A. Number -- that one numbered 3?

22 Q. Yes, sir.

23 A. Okay.

24 Q. And it appears from Plaintiff's Exhibit No. 3 -- is
25 that your signature, sir?

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1 A. No, that's sure -- that was -- somebody signed that
2 from my -- in my office. That's not my signature.

3 Q. All right. And Ben Barnes Group, that's your
4 business, correct?

5 A. Yes.

6 Q. And up on the top it has some type of fax transmittal
7 from the Ben Barnes Group. You see that?

8 A. Yes.

9 Q. All right. Do you know why you were asked to write
10 this letter?

11 A. Well, if you -- I'm sure that they were trying to get
12 letters written from anybody that they thought would be
13 helpful with the banking authorities in Venezuela that would
14 say that the Stanford Group was good people.

15 Q. Okay. And do you know if you were asked to write
16 such a letter?

17 A. I don't remember.

18 Q. Do you know if the Ben Barnes Group was asked to
19 write such a letter?

20 A. I don't remember.

21 Q. Okay. Do you know what the Ben Barnes Group did to
22 familiarize itself with Mr. Stanford prior to September 30,
23 2004?

24 A. No. By -- but by that time we had an opportunity to
25 see the Stanford operation, to see the assets, to see what was

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1 happening and go to Houston and see the offices there and meet
2 Yolanda and -- and probably Jim Davis, other people that
3 the -- at the Stanford Corporation.

4 They were very legitimate people in -- to the
5 observation that we gave them. They were -- it was -- it was
6 a -- a substantial company.

7 Q. Okay. So -- so there should be some records of that
8 type of activity: To get comfortable with their operation and
9 their assets that you just described prior to September 30,
10 2004?

11 MR. MADRID: Objection, form.

12 A. We are not someone that does exten -- now, with the
13 internet, it's a little different. But you don't -- like law
14 firms, I -- we don't go do investigations of clients that we
15 -- that we represent and like hire Crowell & Associates and
16 pay them several thousand dollars to go dwell into people's
17 backgrounds and past.

18 The fact that Larry Temple recommended to me to
19 Larry (sic) -- to Allen Stanford was a very good housekeeping
20 seal of approval to me. Because Larry Temple had been
21 representing him and that was a very strong, strong message to
22 me that he wasn't going to be recommending anybody to me that
23 he had any doubts or reservations about.

24 Q. All right. So you relied on Mr. Temple or did you do
25 something in addition to that to familiarize yourself with the

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1 Stanford Group?

2 A. Just by osmosis I started look -- seeing assets of
3 the Stanford Group and learning more about it.

4 Q. Well, we'll get into that in a little bit. If you
5 look at Plaintiff's Exhibit No. 3, it says, "I have known
6 Mr. Stanford for more than 25 years on both a personal and
7 professional level." Is that true?

8 A. No.

9 Q. And you go on to say that, "He's a highly successful
10 individual and known to be a man of strong character and
11 integrity." Did you know him well enough to make that
12 statement?

13 A. This is a letter of recommendation. I don't know who
14 dictated it. But whether rightly or wrongly, my office in
15 both public and private have written letters of recommendation
16 for kids wanting to get in the University of Texas or other
17 colleges and universities; people wanting to get in the Naval
18 Academy; people wanting to be accepted to some accounting firm
19 or some legal firm or somebody that wants a letter of
20 recommendation. And I'd say this is a typical letter of
21 recommendation that -- that I've written in the past.

22 Q. Would you -- would you write that letter again?

23 A. No.

24 Q. Okay. For instance, if somebody wanted to go into
25 the National Guard as opposed to Vietnam, you might write a

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1 letter of recommendation there, as well. Right, sir?

2 A. I wouldn't again.

3 Q. Not again. Okay.

4 Because it looks like -- if you'll look at
5 Plaintiff's Exhibit No. 2. And it looks like "Venezuela Bank
6 Reference Letters," an internal Stanford document, they were
7 looking for letters of recommendation from a number of people
8 and you're at the top of the list.

9 MR. MADRID: Is that a question?

10 Q. (BY MR. CASTILLO) Right, sir?

11 MR. MADRID: Objection.

12 A. It looks like they may be in alphabetical -- no. No,
13 they're not in alphabetical order. But that's what -- it's at
14 the top of this piece of paper.

15 Q. Yes, sir. Do you -- did you have any discussions
16 with any of the other people that are listed in Nos. 1 through
17 15, about Mr. Stanford before, your office sent Plaintiff's
18 Exhibit 3?

19 A. I don't -- I don't remember, but I don't think so.

20 Q. Okay. Let me show you Plaintiff's Exhibit No. 51.

21 (Exhibit 51 was previously marked)

22 Q. (BY MR. CASTILLO) This appears to be a document that
23 was submitted, with a little Bates No. 1022, in response to
24 some discovery requests that I think the Baker Botts firm
25 sent. Do you recognize this, Plaintiff's Exhibit 51?

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1 A. I don't recognize it. It looks like it was very
2 similar to my itineraries that were prepared by my office.

3 Q. Okay. And, again, I'm trying to get some time
4 perspective of when you were having these initial
5 conversations with Mr. Stanford.

6 A. Yeah.

7 Q. And if you look at the second page it looks like on
8 Monday, November the 10th, Mr. Stanford's plane was scheduled
9 to take you and John Sharp to Oklahoma City.

10 A. Okay.

11 Q. Do you know what you were doing at that time?

12 A. No, I don't.

13 Q. At that -- by that time had you been engaged already?

14 A. I don't know that, either.

15 Q. Do you know why you were going to Oklahoma City with
16 John Sharp?

17 A. I have an idea that that name is incorrect. That's
18 probably Jim Sharp, not John Sharp. That's No. 1.

19 No. 2, that was the Temples that were on the
20 plane, too. And that might have been something that Temple
21 had gotten the plane for. I don't -- I don't know that.

22 But I -- it's in regard to a committee on the
23 Commission on 125 that I -- no, that was a conference call. I
24 don't know -- I don't remember what this trip was for.

25 Q. And the Temples -- where it says "the Temples," that

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1 was --

2 A. Larry Temple.

3 Q. -- Larry Temple, the person that introduced you to
4 Stanford, correct?

5 A. Yes.

6 Q. And then the Melanie there, that's your --

7 A. Wife.

8 Q. -- third wife, right?

9 A. Yes.

10 Q. Okay. And Jim Sharp -- who is Jim Sharp?

11 A. He's a partner of mine in Washington.

12 Q. And his expertise is in what?

13 A. Jim was an Assistant U.S. Attorney in Washington. He
14 was -- as a matter of fact, he was senior prosecutor in the
15 D.C. office of the U.S. Attorney in the late '60s and early
16 '70s. He left the U.S. Attorneys Office and established a law
17 firm in the '70s, where he practiced law for -- until now.

18 Q. Let me show you a couple of other -- Plaintiff's
19 Exhibit No. 10 and No. 11.

20 (Exhibits 10 and 11 were previously marked)

21 Q. (BY MR. CASTILLO) And first I'll direct your attention
22 to Plaintiff's Exhibit No. 11.

23 A. Okay. Okay.

24 Q. I know you indicated that you wish you had the
25 ability to send out an invoice, but here's one. What is

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1 Plaintiff's Exhibit No. 11?

2 A. It's an invoice from our group to -- to Allen
3 Stanford.

4 Q. For how much?

5 A. For a million dollars.

6 Q. And what was the million dollars supposed to be for?

7 A. Oh, I've got an idea. I don't know specifically, but
8 this is probably for maybe a year's work or a year and a
9 half's work. I'm not -- I don't -- I don't know how long a
10 period it would -- that it covered.

11 Q. Now, it says "Retainer for Governmental Affairs." Do
12 you see that on Plaintiff's Exhibit 11?

13 A. Yeah.

14 Q. Do you know whether you had -- whether the Ben Barnes
15 Group had been paid anything prior to June 23rd, 2005?

16 A. I don't know.

17 Q. Do you know if there was a written agreement between
18 Ben Barnes Group and Stanford Financial?

19 A. No, I don't. I don't believe so.

20 Q. Do you remember anything about your discussion with
21 Mr. Stanford concerning what you were being retained for?

22 A. It was an ongoing discussion of trying to get paid by
23 Mr. Stanford. It was a -- like a lot of clients, they were
24 not as rapid -- I remember they were not a rapid pay.

25 There was an ongoing discussion about -- about

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1 what we were -- what we were going to be paid, what it was --
2 I don't remember all the details. But a discussion about
3 whether it was going to -- how much a month it was going to
4 be, what it was going to be for, different things. But this
5 was -- this was not -- this was not in advance. This was for
6 work performed.

7 Q. All right. So there should have been work done prior
8 to June 23rd, 2005?

9 A. Yes.

10 Q. And so this million dollar invoice to Stanford
11 Financial was for work that predated June 23rd, 2005?

12 A. Yes.

13 Q. Do you remember when Ben Barnes Group first entered
14 into an agreement to start doing work in exchange for a fee
15 with Mr. Stanford, prior to June 23rd, 2005?

16 A. No, I don't -- I don't recall those dates. But
17 you've -- you've given me Plaintiff's Exhibit 3 where that I
18 -- I wrote that letter -- or that the firm wrote a letter --
19 the Ben Barnes Group wrote a letter, that someone signed for
20 me, that that's in 2004; this itinerary is in 2003. So
21 this -- this million dollars could be for two years. I don't
22 really know. But it was for some period of time.

23 Q. Who would know what Ben Barnes Group did in exchange
24 for the million dollars that was paid June 23rd, 2005?

25 A. It would be a combination of the -- of the -- of the

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1 partners in my firm.

2 Q. Okay. Who would I have to talk to, Mr. Barnes, to
3 find out: What did Ben Barnes Group, L.P. do for Stanford
4 Financial to get paid a million dollars on June 23rd, 2005?

5 MR. MADRID: Objection, form.

6 Go ahead.

7 A. We'd all have to sit down and go back and try to
8 remember and recollect all that -- what we did in 2003 and
9 2004.

10 Q. Would there be some record of something that was
11 produced? Generated?

12 A. No, not necessarily.

13 Q. Okay. So tell the jury what, if anything, Ben Barnes
14 Group did, prior to June 23rd, 2005, in exchange for a million
15 dollars.

16 MR. MADRID: Objection, form.

17 A. We did a lot of things for the Stanford Corporation.
18 And I don't have -- while I don't have the dates, there were
19 many valuable services rendered by the Ben Barnes Group to the
20 Stanford Corporation from the -- from the initial stages of
21 our representation up until the end of our representation.

22 Q. Who would know that?

23 A. Well, as I testified to earlier, a combination of
24 different partners that worked on it.

25 Q. Can you tell the jury what value you imparted to

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1 Stanford Financial Group in exchange for the million dollars
2 on June 23rd, 2005?

3 A. I don't know exactly when we were talking about
4 changes in the U.S. Virgin tax laws. I don't know exactly --
5 I don't have in my mind -- in my memory the timetable of what
6 was going on. Was it specifically 2003? 2004? 2005? 2006?
7 I don't know. Perhaps we can go back and recollect that and
8 put it together, but I don't have it in my memory.

9 Q. And that hasn't been done up until today when --

10 A. No.

11 Q. -- you presented here for your deposition?

12 A. That's right.

13 Q. What would you have to do to -- to go back and
14 reconstruct that?

15 A. Well, it would be a combination of people's memory.
16 We don't have a lot of things in writing that we do. A lot of
17 our things are not filing briefs and going to a district court
18 and -- and leaving a paper trail and keeping up with your
19 phone calls and your emails and charging for them like that.
20 That's not what the -- that's not what representing people in
21 Washington is. There's not necessarily a paper trail on
22 everything you do.

23 When you take Yolanda Suarez in and introduce
24 her to a member of the -- of the Banking Committee or the
25 Commerce Committee or take her to a meeting of the Black

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1 Caucus, when you want the Black Caucus to -- to make certain
2 it's high on their priority that you're going to -- that
3 they're going to strongly support the U.S. Virgin Islands tax
4 law changes, those things -- there's just not a paper trail.

5 Q. So you have to rely on somebody's memory of that?

6 A. Yes. That's right.

7 Q. Are you the type of person that keeps a calendar?

8 A. Yes.

9 Q. Do you have a written calendar?

10 A. It's catch-and-catch-can.

11 Q. Yes, sir.

12 A. A lot of the times we do.

13 Q. Okay.

14 A. Yeah. Sure.

15 Q. And did you do that in 2004 or 2005?

16 A. I'd have to check with my secretary and look and see
17 what she has.

18 Q. And your secretary was Ms. Martin?

19 A. Not in 2003, 2000 -- I don't think so. She's been
20 there -- now, I think Susan's been there nine or ten years.
21 Well, she may -- she may have been. I can find out who was my
22 secretary at that time.

23 Q. Okay. Because if you look at Plaintiff's Exhibit
24 No. 10, it looks like Susan Martin is sending a lot of the
25 information concerning wiring instructions.

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1 A. Okay. That's -- and what year was that?

2 Q. 2005.

3 A. Okay. Yes, I'd say that Susan has been with me at
4 least nine or ten years.

5 MR. CASTILLO: Okay. I've got a note that I
6 have to change a tape. So why don't we take a five-minute
7 break --

8 THE WITNESS: Okay. That will be great.

9 MR. CASTILLO: -- and then we'll come back.

10 THE WITNESS: Thank you.

11 THE VIDEOGRAPHER: This marks the end of Tape
12 One. We're off the record at approximately 10:57 a.m.

13 (Recess)

14 THE VIDEOGRAPHER: This is the beginning of Tape
15 Two. We're back on the record at approximately 11:11 a.m.

16 Q. (BY MR. CASTILLO) Mr. Barnes, is there anything about
17 the first hour of your testimony that you need to correct or
18 amplify or say, "Well, what I told you wasn't necessarily true
19 and I need to correct it"?

20 A. No. I'm just embarrassed that I don't have a better
21 memory, but it's age and wear and tear.

22 Q. I was asking a little bit about your practice of
23 keeping a calendar. Do you know whether your secretary also
24 keeps a computerized version of your calendar?

25 A. I have no idea at that time whether she does --

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1 whether she did or not.

2 Q. Now do you?

3 A. Yes.

4 Q. Okay. And do you use something like an Outlook,
5 where you can check your calendar from your cell phone?

6 A. I think this would be a good time for me to make a
7 confession. Okay?

8 Q. Okay.

9 A. I --

10 MR. MADRID: Are you sure you want to do this
11 with -- go ahead.

12 A. I have probably been the butt of more jokes from my
13 children, my grandchildren, from my partners -- in the age of
14 information -- than anyone. And I did not use a Blackberry.
15 I did not use a computer. I don't have a computer today. I
16 have an iPad.

17 I did not do text messages. I didn't read text
18 messages, email messages. I started probably a couple of
19 years ago doing text messages. And when I -- and I sent the
20 same text to about a hundred people, that had made a lot of
21 fun of me, where that they would receive the first text from
22 me --

23 Q. Uh-huh. Uh-huh.

24 A. -- to prove that I -- that I had the intelligence to
25 do that.

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1 But if -- if someone wanted to enter a Texan or
2 a citizen of this country in a dinosaur contest, as far as the
3 information age, I would probably be a very good candidate.
4 It's highly likely that I would win.

5 But I -- I did not receive emails. My secretary
6 would read emails. And I'm -- I'm very sorry I receive emails
7 today, because she still reads them. But because of the
8 political season we're in, last Friday I got 382 emails and
9 probably 380 of them were asking for money from people -- many
10 people that I had never heard of.

11 Q. Uh-huh.

12 A. So I -- we keep a calendar now and I can check the
13 calendar, but that is a new event in my life.

14 Q. All right. And in the 2005 era you -- would you rely
15 on your secretary printing out an itinerary so you would know
16 what you're doing this week or next week?

17 A. We had printed itineraries, like the one that you
18 submitted to me as one of the exhibits, part of the time. A
19 lot of the time was -- my calendar was picking up the
20 telephone and talking to my secretary and saying, "Where do I
21 go next?"

22 Q. Okay.

23 A. Okay.

24 Q. And that would have been the practice in 2005 through
25 at least early 2009?

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1 A. Probably so. I mean, yeah. 2009, yeah, that would
2 have been the practice.

3 Q. And so you didn't -- you didn't email. If you
4 emailed, your secretary would send out your email?

5 A. Yes, or receive email. I don't even know that she
6 emailed. Maybe she did. But when I would receive an email,
7 she would read it. And it was really a low percentage that I
8 would ever read that email. She would tell me that, "You got
9 an email that said so-and-so and so-and-so." But I --

10 Q. Was that a conscience decision you made or is it just
11 because you weren't familiar with the technology, like I
12 wasn't?

13 A. I'd say that it was based on ignorance --

14 Q. Okay.

15 A. -- of the technology.

16 Q. All right. And so you didn't have your own laptop
17 that you carried around in 2005, up until the time you got
18 your iPad now?

19 A. No, I didn't.

20 Q. All right.

21 A. I could have carried it for looks.

22 Q. Made it seem like you --

23 A. Yeah.

24 Q. Okay.

25 A. But --

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1 Q. And I take it the nature of your business is that you
2 don't have to -- you don't record your hours that you've spent
3 on a particular client doing some work today --

4 A. No, I don't.

5 Q. -- versus work that you might be doing under a
6 monthly fee for someone else?

7 A. Our firm -- when we are talking to clients in the
8 initial stages, we talk to them about that we don't bill by
9 the hour. And probably half of our clients we don't bill
10 expenses and that's a -- probably a deficiency in our firm
11 because we should bill expenses. In some instances, we do,
12 but not very many. And as a result, you don't earn nearly as
13 much money as you think you're earning when you're not billing
14 expenses.

15 Q. Okay. Like, for instance, what type of expenses?

16 A. Hotels, airlines, Senator Caperton's scotch. Things
17 that cost a lot of money.

18 Q. You are losing money, then.

19 A. Yes.

20 Q. Okay. What about, you know, when a client comes to
21 you and asks you to help him in the political arena and
22 understand maybe the regulatory process, who puts the concept
23 of what the team is going to be to help this client -- who
24 puts that together?

25 A. It's in an oral discussion at firm meetings or firm

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1 conversations, very informal. But it's been Senator
2 Caperton's responsibility in the past few years to be the
3 wordsman that puts down, for regulatory purposes and for our
4 client's purposes, what the broad scope of our work is going
5 to be.

6 Q. And then who puts together the team? Who makes the
7 decision to who's going to staff it?

8 A. I think we all ultimately do. It's not a -- it's a
9 very, very informal relationship. It's -- it's more of a --
10 it's in many instances -- and I guess it would be correct that
11 members of families don't always get along. But I think it's
12 more -- as much of a family as it is a firm. And I think we
13 have amazingly good communications and amazingly good
14 relationships.

15 Q. Okay. Let me show you what we've now marked as
16 Plaintiff's Exhibit No. 50, sir.

17 (Exhibit 50 was previously marked)

18 Q. (BY MR. CASTILLO) And I want to direct your attention
19 to the second page.

20 A. Okay.

21 Q. And this is kind of what I'm asking: Who decides
22 what the structure of this campaign team is going to be, as
23 shown on Plaintiff's Exhibit No. 50, when you get an
24 assignment?

25 A. My answer would remain basically the same. There's

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1 another party that's been added to this, Mitch Delk, that's
2 hired outside of our firm. But this was a beginning of -- of
3 a team of -- internal team and external team that was going to
4 work on some Stanford matters.

5 Q. And it has you as the manager --

6 A. Well --

7 Q. -- of the team?

8 A. That's what it says on Page 2. I don't -- I'd never
9 argue that I was the most important person in the room, but --
10 it created quite an argument for me to say that all the time.
11 But maybe out of deference to age and my name on the firm,
12 it -- that it would be manager. But I would like to think
13 that -- that my name should be there.

14 Q. And who would have had the contact with the principal
15 and the client, Allen Stanford, of all of the people listed on
16 Page 2 of Plaintiff's Exhibit 50?

17 A. The client? It all depends on who -- the client was
18 Stanford Financial. Probably the most contact would have been
19 with Lawanda Suarez (sic). That was her area of
20 responsibility.

21 So I don't know which one of these people talked
22 to Yolanda the most. I mean, I don't know. She would -- she
23 came to Washington a lot of times and met with people. I
24 don't know who had the most contact with the -- with her and
25 the other people that represented Stanford internally and

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1 externally and other law firms. It's -- I just don't remember
2 to be able to tell you anymore of a specific answer to your
3 question.

4 Q. And probably it was a poor question. But really what
5 I'm asking for is: You have a client that's Stanford
6 Financial, correct?

7 A. Yes.

8 Q. And there is a person who is the head of Stanford
9 Financial?

10 A. Yes.

11 Q. And you understood that to be Allen Stanford?

12 A. Yes.

13 Q. And I guess what -- on a high-level communication
14 between Ben Barnes Group and Stanford Financial, who would
15 have -- who had that communication? Not on the details and
16 the workings of the team, but on a big picture.

17 A. Allen was involved in the big, big picture. But
18 communication with him on the day-to-day activities that was
19 performed in Washington by the Ben Barnes Group and by other
20 groups of people that were hired was -- that communication was
21 not with Allen.

22 Q. And from the Ben Barnes Group, who would have had the
23 communication with Allen Stanford?

24 A. Oh, whoever Allen got on the phone. Allen -- I'm
25 sure I received the most phone calls. But Allen is the kind

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1 of guy that would call if he got -- he -- he -- patience was
2 not his best virtue.

3 If he wanted to find an answer and he couldn't
4 find somebody, he'd call -- he'd call anybody that he could
5 find. He'd talk to the cleaning lady if he was trying to find
6 out something and he didn't -- he wasn't getting the answer.

7 Q. And from the Ben Barnes Group, if you wanted an
8 answer from a big picture, who would call Allen Stanford?

9 A. Well, we would try to and I would try to
10 communication through Yolanda and through Jim Davis and
11 through his other lawyers.

12 Allen Stanford was not a detail person when it
13 came to certainly writing federal legislation and the language
14 that -- how it should be construed and written in final
15 statute form. That would not be a good use of my time or his
16 time, either one, for me to try to talk to him about it.

17 Q. Did you feel like the communications you had with
18 Allen Stanford were more on a big picture level?

19 A. Yes, it would -- it would be much more at a big
20 picture level and much less frequently than one would suppose
21 with Allen. He had a thousand irons in the fire.

22 And I don't know very much about cricket. I
23 never even played cricket. I don't know whether you ever
24 played cricket or not. I didn't. But I had maybe an hour
25 conversation one time on the phone, with Allen telling me how

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1 dumb I was because I didn't understand about cricket. And he
2 told me about cricket for one hour and I couldn't get off the
3 phone. I put the phone down because I really had already
4 learned as much about cricket as I wanted to know, but he
5 wanted to tell you.

6 So you could get off involved in a lot of
7 conversations that were for your educational purposes, that
8 were not going to be of any real practical help to me talking
9 to the Senators and House members in Washington that I knew a
10 great deal more about cricket.

11 But it was a -- it was a -- a -- not phone calls
12 that I dreaded; but phone calls that with Allen, if he was in
13 an expansive mood, it was not really worth the investment of
14 my time. I wanted to listen to my client and to -- and to do
15 what needed to be done for the client, but it was not -- it
16 was not the best use of my time to have long, extended
17 conversations with Allen.

18 Q. Okay. And one example is that cricket conversation?

19 A. Yes.

20 Q. All right. I don't want you to think that I'm
21 chasing this trail needlessly. But now that you brought this
22 cricket issue up, didn't Ben Barnes Group spend a significant
23 amount of time assisting Allen Stanford in setting up the
24 Cricket Twenty20 matches?

25 A. Yes, as is outlined in the paper that Senator

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1 Caperton prepared for the trustee (sic) that, to the best of
2 his ability -- and he talked to me about it before he prepared
3 it -- outlining the things that we had done for Stanford.

4 Q. The receiver?

5 A. The receiver. I didn't mean the trustee. The
6 receiver. I'll stand corrected. I'm sorry.

7 MR. MADRID: That's all right.

8 A. We talked about that there were -- the work we did on
9 trying to allow Cuba to come to the cricket tournament in
10 Antigua. Cuba had been allowed to go -- to play -- a Cuban
11 baseball team to go participate in the United States and had
12 been exempt from the embargo act of Cuba in the 1980s.

13 And Mr. Stanford couldn't understand why -- that
14 if they would exempt a baseball team, why they wouldn't exempt
15 a cricket team; and that we should be able to get Mr. Castro
16 on the phone, along with President Bush, and get that taken
17 care of right away.

18 That was the kind of broad general instructions
19 we had that -- that we couldn't necessarily fulfill his -- his
20 work program he had outlined. But we worked very hard on
21 trying to get the exemption and were unsuccessful.

22 Q. Okay. And the question that I -- that you just
23 answered was: Didn't the Ben Barnes Group spend a significant
24 amount of time trying to accomplish the client's objectives to
25 get the government to approve Cuba to participate in the

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1 Cricket Twenty20 Tournament?

2 A. We did. Patsy Thomasson, a partner in Washington,
3 had worked at the State Department for eight years. She knew
4 the people at the State Department. She spent a great deal of
5 time -- I'm -- maybe a hundred hours. I don't know. But
6 many, many, many phone calls and many -- and some personal
7 meetings trying to get this done. And there was some degree
8 of optimism at the very beginning, but they just were not
9 going to yield on -- on Cuba.

10 Q. Once you heard the request from Mr. Stanford for the
11 Ben Barnes Group to assist him in this cricket tournament, did
12 y'all have a discussion of how much you were going to charge
13 Allen Stanford or the Stanford Financial Group for that
14 effort?

15 A. No.

16 Q. Was that billed separately from any of the tax work
17 you were doing before?

18 A. None of the -- none of the work was billed -- with
19 Mr. Stanford, based on my best of my memory, was not billed on
20 a specific project. It was all just general billings by our
21 group and other group people that were a part of the Stanford
22 team in Washington that -- it was billed on just the overall
23 representation of Stanford.

24 Q. All right. So you can't attribute how much of
25 whatever you did collect was paid towards the tax work versus

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1 the cricket tournament versus any other work?

2 A. No, versus any other work. And then there was a lot
3 of other work that's outlined on the -- on the memorandum that
4 Senator Caperton submitted.

5 Q. And so the answer is, "Correct." You can't attribute
6 dollars collected per project?

7 MR. MADRID: Objection, form.

8 Go ahead.

9 A. That's correct.

10 Q. Okay. Was the Ben Barnes Group successful in getting
11 Cuba exempt?

12 A. No, we were not.

13 Q. Okay. Was there any discussion with Mr. Stanford
14 about what the benefit would be of having this Twenty20
15 Tournament with a Cuban cricket team attending?

16 A. He thought that it would increase the bureauship
17 tremendously in the Caribbean if, for the first time in 50
18 years, that Cuba was participating against the other islands
19 in the Caribbean in the game of cricket and other cricket
20 teams that he would bring from other places around the world
21 to play Cuba.

22 And then the T.V. audience that it would
23 build -- he was very interested in putting together a T.V.
24 audience that was larger than the Super Bowl's T.V. audience.

25 Q. And how would that benefit Mr. Stanford?

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1 A. It would --

2 MR. MADRID: Objection, form.

3 A. I assume it would give Stanford Financial the -- a
4 lot of recognition around the world.

5 Q. To attract more investors?

6 MR. MADRID: Objection, form.

7 A. Well, to investors. And he had other projects that
8 were going on at that time.

9 Q. Have you ever made a determination of what value you
10 gave Stanford Financial in connection with the attempts to get
11 Cuba exempt and a participant in the cricket tournament?

12 MR. MADRID: Objection, form.

13 A. There was another very valuable thing we contributed
14 to Mr. Stanford on the cricket tournament. I knew Lynn
15 DeLuca, who was head of ESPN, and arranged for -- our firm
16 arranged for Mr. Stanford to meet Lynn DeLuca.

17 Lynn DeLuca agreed to part -- to be a partial
18 sponsor of the games; and then that caused Sky Sports Network
19 to come in and want a contract in addition, where ESPN could
20 not have an exclusive. That went to England, India, many
21 parts of the -- of western and eastern Europe and other
22 continents.

23 So that was -- that was a great value as far as
24 getting T.V. coverage to the -- and ESPN paid several million
25 dollars for that contract, as did Sky.

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1 Q. To whom?

2 A. To Stanford Financial. And it may have gone to the
3 tournament itself. I'm not certain about how to answer that
4 definitive. But it's a -- the money went in the pot.

5 Q. Did it go to Stanford Financial or did it go to the
6 Twenty20 Tournament to give to prize money?

7 A. I don't have any idea.

8 Q. Who would know that?

9 A. Someone with Stanford.

10 Q. No one within the Ben Barnes Group would know whether
11 or not Stanford Financial received any of the money?

12 A. No.

13 Q. I've heard you described as the quarterback of the
14 team that was helping Mr. Stanford change the tax laws. Did
15 you consider yourself the quarterback?

16 MR. MADRID: Objection, form.

17 Go ahead.

18 A. I played defensive tackle and -- and -- and offensive
19 tackle on De Leon High football team. I don't think that I've
20 ever been referred to as a quarterback on anything. But I'd
21 like to as -- when I was Speaker of the House and Lieutenant
22 Governor, I would consider it greatly a compliment if someone
23 said I was a quarterback or a running back for the State of
24 Texas.

25 I don't know that anybody referred to me as a

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1 quarterback, but I like -- I'd like to think that, but it was
2 a team effort. And if I was designated the quarterback,
3 again, that's probably based on age and experience, not on the
4 ability to block and tackle.

5 Q. All right. Well, then, would you consider yourself,
6 if not the quarterback, the manager of the team?

7 A. I would consider myself an important person on the
8 team.

9 Q. And would you describe for the jury what Ben Barnes
10 Group was hired to do in connection with the tax legislation.

11 A. Well, the tax -- changing the tax legislation in the
12 Caribbean was a very, very important thing for -- not only for
13 Stanford, but for the whole economy in the U.S. Virgin Islands
14 and really the economy in the -- in the Caribbean.

15 The U.S. Virgin Islands were very poor. The
16 United States had to appropriate a lot of money annually to
17 the U.S. Virgin Islands for them to really exist. And getting
18 industry there and creating jobs and having jobs to pay taxes
19 was really part of their survival. And the U.S. Congress
20 Caribbean Caucus, that was their main goal: To be able to
21 bring private industry and create jobs and the economic
22 development in the U.S. Virgin Islands.

23 And so -- and there was a saying that: So goes
24 the Virgin Islands, really goes the rest of the Caribbean. It
25 was important for us to have -- and the Caribbean was looked

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1 upon as our third coastline. It was very important for
2 defense purposes and economic development purposes. So it was
3 -- it was important legislation. It was important to -- it
4 was important what the United States' attitude was about the
5 U.S. Virgin Islands to a lot of people.

6 Q. Important to who?

7 A. To the people of the Virgin Islands. To a lot of the
8 people in Congress who had very strong feelings that we should
9 be doing a great deal more in the Caribbean than what we were
10 doing.

11 China was loaning money -- the Chinese loaned
12 the money to build a hospital in Antigua. The Russians and
13 Chinese had put medical schools in Cuba, were turning out
14 doctors and nurses. And many of the Caribbean islands, the
15 whole medical staffs would be educated in Cuba. It was very
16 -- other people were very interested -- other countries were
17 very, very interested in developing friendships and developing
18 a major presence in the Caribbean and so it was important to
19 us.

20 We don't -- we really didn't need the Chinese or
21 the Russians providing the doctors and the nurses for all of
22 the Caribbean and turn those countries into -- from allies of
23 our country and strong supporters of the United States into
24 people that had a primary allegiance to some other country
25 other than the United States.

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1 Q. Were any of the islands in the Caribbean clients of
2 the Ben Barnes Group?

3 A. No.

4 Q. Were any companies that had offices in the Caribbean
5 clients of the Ben Barnes Group, other than Mr. Stanford?

6 A. It was a conflict for us to take any other clients in
7 the U.S. Virgin Islands because Allen Stanford wanted tougher
8 rules on investing in the Caribbean than a lot of other
9 countries did.

10 He did not want -- there was -- under the
11 previous legislation that had passed, the interpretation of
12 the laws were such that an automobile dealer from Detroit was
13 running his sales through the Virgin Islands and being -- and
14 attempting to be taxed at the U.S. Virgin tax rate rather than
15 the United States.

16 And so there were a lot of people that tried to
17 take advantage of the U.S. Virgin Islands tax laws that were
18 not really putting any money into the U.S. Virgin Islands and
19 creating any jobs.

20 Stanford Financial's position was that they
21 wanted the level of investment to be high and the number of
22 jobs to be created to be high, where there could not be --
23 where there could not be companies invest in the Virgin
24 Islands that were doing it purely for just tax purposes.

25 Q. Let me try my question again. Were there any other

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1 entities that were clients --

2 A. No.

3 Q. -- of Ben Barnes Group? Okay.

4 MR. MADRID: Let him finish his question,
5 please.

6 THE WITNESS: But he already asked it one time.
7 I didn't want him to have to ask it again. I didn't want him
8 tired.

9 Okay. Go ahead.

10 Q. (BY MR. CASTILLO) Were there any other U.S. companies
11 that were the clients of Ben Barnes Group that were interested
12 in changing the tax laws in the United States Virgin Islands,
13 other than Allen Stanford?

14 A. I don't know. I don't think so, but there could have
15 been. I don't know.

16 Q. Were there any other clients that paid the Ben Barnes
17 Group for its efforts to change the tax laws concerning the
18 U.S. Virgin Islands, other than Stanford Financial?

19 A. No.

20 Q. And what were the two elements of the tax laws that
21 were going to be changed?

22 A. One was the amount of time you had to spend in the
23 Virgin Islands.

24 Q. Is that the residency requirement?

25 A. Yes, the residency requirement.

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1 Q. And then what's the other?

2 A. And the other would be the sourcing.

3 Q. Had there been any efforts, by any of the public
4 officials in the U.S. Virgin Islands, to try to convince the
5 United States to change that tax law?

6 A. Yes.

7 Q. By whom?

8 A. By the Governor of the U.S. Virgin Islands and by the
9 elected officials of the Virgin Islands and by the U.S. Virgin
10 Islands Chamber of Commerce.

11 Q. And when was that? Did it predate your involvement
12 with Mr. Stanford?

13 A. Yes.

14 Q. Was it concurrent with your involvement with
15 Mr. Stanford's efforts to change the tax law?

16 A. That constituency in the U.S. Virgin Islands that I
17 just spoke of were -- were continually trying to work every
18 year to get tax laws that would encourage more investment in
19 the U.S. Virgin Islands.

20 Q. And why had they been unsuccessful?

21 A. There was -- because of some of the people that had
22 tried to take advantage of the tax laws, there was a group in
23 Washington that were very much opposed to any changes in the
24 law and very much opposed to anybody that was a United States
25 citizen having to do any business in the Virgin Islands; and

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1 then there were some people that were strong for it.

2 But the U.S. -- there was a caucus of the
3 Caribbean Caucus and the Black Caucus and the Hispanic Caucus.
4 There were a lot of people that were very interested in -- in
5 helping our neighbors to the south. So there was a political
6 disagreement and a tug-of-war that was taking place in
7 Washington.

8 Q. You're talking about the other -- the first and
9 second border being Canada and Mexico?

10 A. Yes.

11 Q. Okay. And so the third border would be the
12 Caribbean --

13 A. That's right.

14 Q. -- right? Was there any concern in the United States
15 government that the attempts to change the tax law in the
16 United States Virgin Islands would allow companies to avoid
17 regulation that they otherwise would have in the United
18 States?

19 A. I think there was a division at Treasury about what
20 was the correct statutes and what was incorrect and how -- how
21 you could open the door and allow more investment into the
22 Virgin Islands for economic development and how you could keep
23 that door shut to people that were trying to use the Virgin
24 Islands for -- for tax avoidance.

25 Q. What about other regulatory schemes in the United

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1 States? If you were in the United States Virgin Islands that
2 you could avoid, for instance, the SEC requirements?

3 A. No, I never had any discussion about that.

4 Q. Or any oversight by banking commissions?

5 A. No, I didn't have any discussion about that.

6 Q. Were you aware that there was any opposition to
7 changing the tax laws in the Virgin Islands and the Caribbean
8 because of that? That you would -- that companies would try
9 to avoid other regulatory schemes in the United States?

10 A. I don't remember. But I -- I know of no in-depth
11 discussions about regulatory agencies and what financial
12 institutions or public companies in the Virgin Islands could
13 be exempt from as far as U.S. -- other statutes.

14 Q. Okay. Now, did you ever visit Mr. Stanford's
15 operations in the Caribbean?

16 A. Yes.

17 Q. Which islands?

18 A. Antigua and the U.S. Virgin Islands.

19 Q. When we say "U.S. Virgin Islands," so the jury will
20 understand and doesn't have the luxury of going there, are
21 there many islands within the United States Virgin Islands or
22 is it just one island?

23 A. I believe there's -- there's several, but I'm -- I
24 really don't know. I think there are a couple, for sure.

25 Q. How about St. Croix?

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1 A. Yeah, St. Croix.

2 Q. Is that part of the U.S. Virgin Islands?

3 A. Yes.

4 Q. Antigua, is that a --

5 A. No.

6 Q. Okay. Antigua is under what --

7 A. Great Britain.

8 Q. -- country? Okay. So did you visit the operations
9 of Mr. Stanford in Antigua?

10 A. Yes, I did.

11 Q. Okay. And why did you go?

12 A. I went down there to meet with him to see the
13 operations. And, also, he had a huge project island off the
14 coast of Antigua that he was going to develop or had -- and
15 started to develop, that he was going to sell to wealthy
16 people around the world. That was going to be a rather unique
17 island: The amenities that were going to be offered, the golf
18 course that was going to be built there. He hired Jack
19 Nicklaus to develop the golf course.

20 But he wanted us to see the -- the island and
21 also to -- he knew that I had developed Barton Creek in a very
22 difficult regulatory area in Austin, Texas to develop golf
23 courses.

24 And there was opposition to -- in Antigua from
25 some local people about that kind of development. And he

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1 wanted me to look at it and wanted my counsel and advice about
2 how to deal with and what you tell people, when you're
3 developing a development like that, to give them assurances
4 that you're going to do it in a -- in a correct way and in an
5 environmentally sensitive way.

6 Q. Okay. What was your advice concerning -- or your
7 involvement with giving Mr. Stanford advice on the project to
8 sell this development to wealthy people? Was that in
9 connection with the total amount of money that you were
10 getting paid?

11 A. Yes.

12 Q. Did you separate out how much work you did on that?

13 A. No.

14 Q. You can't attribute how much you charged for that?

15 A. No.

16 Q. How much you got paid?

17 A. No.

18 Q. And what value you contributed to Mr. Stanford?

19 A. No.

20 Q. Did that project ever get off the ground?

21 A. No.

22 Q. Was it a private project or was it for Stanford
23 Financial?

24 A. It was for Stanford Financial, I believe. I don't --
25 I don't ever discuss -- I don't remember a discussion talking

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1 about what entity it was going to go into.

2 Q. That development on the island for that project to
3 build this wealthy complex, was that part of the scheme to
4 move that operation to the U.S. Virgin Islands?

5 MR. MADRID: Objection, form.

6 A. Would you mind asking the question again.

7 Q. Yeah, it was a poor question. I mean, that project
8 was going to be on the island of Antigua, right?

9 A. Yes.

10 Q. And could that ever qualify under the sourcing
11 requirement if you changed the tax law in the U.S. Virgin
12 Islands?

13 A. It could qualify under a proposal that we were
14 discussing with the United States Government and the United
15 States Congress: That if you were a citizen of the U.S.
16 Virgin Islands and you had development projects or other
17 income from non U.S. islands or from non U.S. entities, then
18 that income would be taxed at the Virg -- at the U.S. Virgin
19 Islands tax rate as opposed to the United States tax rate.

20 Q. So you were going to change the tax law so all you
21 had to meet was a residency requirement?

22 MR. MADRID: Objection, form.

23 A. You had to meet the residency and you had to not be a
24 United States citizen. You had to give up your citizenship
25 and be -- and be a citizen of the U.S. Virgin Islands.

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1 Q. So if you were a citizen of the United States Virgin
2 Islands, you would meet the residency requirement?

3 A. That's right.

4 Q. And you didn't have to worry about the sourcing
5 requirement?

6 A. No, you -- yes, you still had to worry --

7 Q. As long as it wasn't U.S.?

8 A. No.

9 Q. Okay. Tell me again.

10 A. That was a change that we were proposing in the law:
11 That if you were a citizen of the U.S. Virgin Islands and your
12 income is earned in other Caribbean Islands or in other places
13 of the world, that that income would be subject to the U.S.
14 Virgin Islands tax laws and not to the United States tax laws.

15 If you earned the income in England, the income
16 would be subject to the tax laws of England but not of the
17 double tax -- not of the United States.

18 Q. As long as you met the residency requirement and the
19 income --

20 A. As long as you met the -- yes.

21 Q. -- wasn't in the United States?

22 A. Yes.

23 Q. Okay. And we'll probably get some of the details in
24 a little bit.

25 A. Pardon?

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1 Q. Any other projects that you remember helping
2 Mr. Stanford with, other than the tax law changes; this
3 project; and the Twenty20 cricket tournament?

4 A. There was Caribbean Airline.

5 Q. All right. Tell me about that.

6 A. Well, the airline service was not as good in the
7 Caribbean. And he bought an airline and had very little
8 experience or no experience in the airline business. And it's
9 hard to be in the airline business if you're -- the only man I
10 ever know that was really totally successful in the airline
11 business was Herb Kelleher.

12 C.R. Smith had started American Airline and was
13 never -- not ever totally successful in the airline business
14 and neither was Delta. Most of the major airlines in the
15 United States have gone broke one time or the other, so
16 Mr. Stanford was not a unique person.

17 I went in the airline business from Brownwood to
18 DFW and consistently lost money. I served on the Board of
19 Texas International and then later served on the Board of
20 Continental, later represented American Airlines.

21 It's a very difficult business, but he had a
22 very difficult task. And the airline was losing money very
23 badly and I assisted him in being able to stop the bleeding
24 and being able to improve his intraline connections and his
25 reservation system.

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1 Q. Who owned the airlines that he bought?

2 A. I'm sure Stanford Financial. I don't know.

3 Q. Do you know?

4 A. No, I don't.

5 Q. Do you know if Mr. Stanford owned it, individually?

6 A. I don't not.

7 Q. Do you know if he owned it under a separate company
8 other than Stanford Financial?

9 A. No.

10 Q. Do you know how many entities were within the name
11 Stanford Financial as you use it?

12 A. No, I have no idea.

13 Q. Did you ever look at what the holdings of Stanford
14 Financial were? In other words, companies?

15 A. No.

16 Q. The operation that you went to see in Antigua -- how
17 many times did you go there to Antigua?

18 A. Probably three, four. I don't know for sure.

19 Q. And that's to look at -- what facility were you
20 looking at? Not the project, but the facility.

21 A. Well, I went to see the Stanford Financial Bank and
22 office buildings and the airport he was developing.

23 And I went down one time to hear his
24 presentation on the one island project and to actually attend
25 sales meetings and meetings where he was explaining to the

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1 citizens -- the difficult citizens. "Difficult" in the sense
2 that they were not supportive of the one island plan. I sat
3 in the back of the room and listened to his presentation and
4 gave him a critique on what I would have said and what I would
5 not have said.

6 Q. Did you see -- what did you see when you were looking
7 at the bank facility?

8 A. I saw a beautiful bank building that would have been
9 an asset to -- the building would have been an asset to
10 Congress Avenue, like this bank building. I mean, it was --
11 not in 2014 terms, but in 2000 -- early 2000 terms it was a
12 very -- very well-constructed, very magnificent building.

13 Very well-groomed, very intelligent,
14 enthusiastic people working in the bank.

15 Q. Operating as a normal bank?

16 A. Yes.

17 Q. Nothing that would give you a red flag that it was
18 something other than a bank?

19 A. None whatsoever.

20 Q. Nothing in your -- ever in your discussions with
21 Mr. Stanford, up until the time you were first paid, that gave
22 you a red flag of the nature of Mr. Stanford's business?

23 A. Not at all.

24 Q. The fact that he had grown from being in bankruptcy
25 in the mid-'80s to now owning a bank, did that ever give you a

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1 red flag?

2 A. No.

3 Q. Were you ever aware that he had filed bankruptcy?

4 A. Not that I remember. But Texas went bankrupt in the
5 '80s, all my friends, a lot of my banks. First National Bank
6 of Dallas, Republic National Bank of Dallas. I think -- other
7 than the Frost Bank in San Antonio, maybe 70 or 80 banks went
8 broke. Even -- low and behold, even some law firms went broke
9 because there wasn't anybody to represent, like Barnes and
10 Connally and First National Republic. So it was a -- it was a
11 difficult time in Texas in the '80s.

12 Q. So that wouldn't have caused you any concern that he
13 had gone into bankruptcy in the '80s?

14 A. I didn't -- I didn't know. That was -- to my
15 knowledge, that was never called to my attention. But I -- it
16 would not have caused a red flag to go off if -- about
17 Mr. Stanford, as it would anymore than Red McCombs or Trammell
18 Crow or anybody else that was people that I knew that had been
19 in the development business in Texas.

20 Q. Okay. I guess if Red McCombs went into bankruptcy
21 that would be a concern for everybody.

22 A. Well, it would be now.

23 MR. MADRID: Objection, form.

24 A. It might not have been in the '80s.

25 Q. Well, did you ever do any damage control concerning

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1 potential stories that were to come out about Mr. Stanford in
2 Bloomberg?

3 A. I don't remember.

4 Q. Do you remember ever having any discussion about
5 trying to kill a story that Bloomberg was going to publish
6 concerning Stanford's claim that he was tied to the founders
7 of Stanford University?

8 A. I don't remember trying to kill a story. I remember
9 the discussion. I mean, I could have been in a meeting where
10 they were talking about trying to -- I don't remember.

11 Q. Do you know if your firm did any investigation to
12 determine whether or not there was a link between Allen
13 Stanford and the founders of Stanford University?

14 A. I remember discussions we had, but I don't remember
15 the particulars.

16 Q. Okay. Anybody -- do you know how much your firm was
17 paid to try to assist Mr. Stanford in that issue?

18 A. No, I don't.

19 Q. And do you have any idea what value was imparted to
20 Mr. Stanford if you were paid for that?

21 A. No, I don't. I remember the Governor of California
22 at that time telling me that he thought Mr. Stanford was
23 related and that he was very happy that Mr. Stanford was
24 contributing money to refurbish the house. Governor Davis
25 told me how much he appreciated Mr. Stanford.

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1 Q. Okay. Well, I guess the question was: Have you made
2 a determination of what value you imparted to Stanford in
3 connection with that effort for the Bloomberg article?

4 A. No.

5 Q. Who would know that?

6 A. I don't -- some members of my firm might know it, but
7 I don't know.

8 (Exhibit 111 was previously marked)

9 Q. (BY MR. CASTILLO) Let me show you what we've marked as
10 Plaintiff's Exhibit No. 111, sir. And I'll represent to you
11 that this is some documents that were produced by your firm,
12 through your lawyers. And they were asked to send a recap of
13 all the monies paid by Stanford Financial to your firm.

14 It appears on Plaintiff's Exhibit No. 111 that
15 it's a recap of all of the deposits that Stanford Financial
16 made to your firm. Do you see that?

17 A. Yes.

18 Q. And it appears that the first one is on June 30,
19 2005. And I know that --

20 A. Yes, sir.

21 Q. -- coordinates with Plaintiff's Exhibit No. 11,
22 doesn't it?

23 A. Yes.

24 Q. All right. So you were paid the million dollars that
25 you invoiced on June 23rd, 2005, correct?

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1 A. Yes, sir.

2 Q. All right. And from your testimony earlier, that was
3 for work that had been done up until June of 2005?

4 A. Yes.

5 Q. All right. Now, was there any discussion with
6 Mr. Stanford about what you were going to charge going forward
7 after June 2005 through the end of that year?

8 A. I don't remember.

9 Q. Now, when you -- you were going to represent Stanford
10 Financial on a going-forward basis after June of 2005. Do you
11 know whether you were doing it on a monthly fee, a success fee
12 or what?

13 A. It was on a monthly fee.

14 Q. Okay. And do you know what the monthly fee was?

15 A. No, I really don't. And I can't really tell from
16 these -- these billings. Because sometime there other people
17 were added to the team and money was paid for other outside
18 firms in addition to our firm.

19 Q. All right. And if we look at Plaintiff's Exhibit
20 No. 50, when you're talking about the team --

21 A. Yes.

22 Q. -- was there any discussion between you and
23 Mr. Stanford about who was going to cover the expenses of the
24 other members of the team?

25 A. I don't recall specifically. It was probably with

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1 Yolanda Suarez.

2 Q. What do you remember of any discussion with
3 Ms. Suarez about how the team members were going to get
4 compensated?

5 A. I remember some discussions, but I don't remember
6 specific discussions about who was going to be paid what.

7 Q. Well, what was your understanding of the concept of
8 payment? Were you going to get paid a fixed sum and then
9 you're paying the expenses of the team members? Or were you
10 going to bill the team members separately?

11 A. I don't remember how the billing was going to go, but
12 I -- but the -- they wanted to pay the Ben Barnes Group and us
13 to pay the individual contractors.

14 Q. Okay. And so the individual contractors that were on
15 the team initially -- if you look at Plaintiff's Exhibit
16 No. 50, which would be paid separately?

17 A. They all would be paid separately.

18 Q. All the lobbyists?

19 A. Yes, and law firms.

20 Q. The Counselor, Ambassador Romero?

21 A. I don't remember.

22 Q. Hunton & Williams and Jim Richard -- or Jim and/or
23 Richard?

24 A. I think that, again, some of these people may have
25 already been representing Stanford in various and sundry

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1 capacities. So as far as the legal team and Ambassador
2 Romero, I don't remember that. But I -- it seems -- something
3 in my mind thinks that they -- that they had already been
4 working.

5 Q. The lobbyists that are listed: It's Mitch Delk,
6 correct?

7 A. That's right.

8 Q. Who's the Kent?

9 A. Senator Caperton.

10 Q. Okay. So we know we have to include his scotch bill
11 under -- under that portion, correct?

12 A. That's right. And as a matter of fact, don't ever
13 put --

14 SENATOR CAPERTON: You're giving me a bad name.

15 A. Don't ever put Mitch ahead of Kent. Kent needs to go
16 up at the top up there. You change that and we'll so note it
17 in the exhibit.

18 Q. Yeah.

19 A. It's all serious --

20 Q. There was an error there.

21 A. All serious goal (phonetic).

22 Q. There's an error on the team member listing --

23 A. That's right.

24 Q. -- on the depth chart.

25 A. Yeah.

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1 Q. And then the Scott?

2 A. That would be Scott Reed.

3 MR. CASTILLO: Okay. It's 12:00. Why don't we
4 take another five-minute break and --

5 THE VIDEOGRAPHER: Off the record at 12:02.

6 (Lunch recess)

7 THE VIDEOGRAPHER: This is the beginning of Tape
8 Three. We're back on the record at approximately 12:38 p.m.

9 (Exhibit 5 was previously marked)

10 Q. (BY MR. CASTILLO) Mr. Barnes, I'm trying to put some
11 perspective about when you first got hired. And I know you
12 don't have a specific recollection, but let me show you
13 Plaintiff's Exhibit No. 5.

14 A. Okay.

15 Q. Okay. And this is a Stanford document. But it seems
16 to me that -- by looking at Plaintiff's Exhibit No. 5, that in
17 April of 2005 is when you were -- you were being discussed
18 internally between Ms. Suarez and Carlos Loumiet, with Hunton
19 & Williams, about potentially being retained. Does that ring
20 a bell?

21 A. Well, I think what this is a reference to is on the
22 -- is on the U.S. Virgin Islands project. That's what -- this
23 is not -- this is not Stanford, in general. This is the U.S.
24 Virgin Islands, I believe.

25 Q. All right. And so do you have -- does this refresh

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1 your memory that maybe it was in early -- in April 2005 when
2 you were being retained for the U.S. Virgin Islands tax issue?

3 A. Well, I was already retained. But I think -- I think
4 what this is is I went down and talked about the U.S. Virgin
5 Islands and the political -- what was possible and what I
6 considered not to be possible. And that was a result -- and
7 this is -- this internal document is a result of this lawyer I
8 spoke to.

9 Q. Okay. But were there -- were there separate issues
10 for Stanford in connection with the U.S. Virgin Islands or was
11 it just trying to change the tax laws?

12 A. Well, it was -- it was just an ongoing representation
13 of Stanford. I mean, this was the -- and they wanted to gear
14 up and add people to the team and to really do an amphibious
15 landing on trying to -- on trying to change the tax laws. And
16 that's what this was in regard to. This was not the beginning
17 of our life with Stanford. This was a continuation, but it
18 was a bigger assignment.

19 Q. All right. So when did the life of this putting a
20 team together to do the amphibious landing on the U.S. Virgin
21 Islands start?

22 A. I don't know. I'm not trying to not remember. The
23 only thing I've really got to go by is to go back and look at
24 the dates of some of these memorandums to refresh my memory.
25 That's --

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1 Q. But Plaintiff's Exhibit No. 5 doesn't help you in
2 refreshing your memory?

3 A. Not in the timeframe of what we're doing, no.

4 Q. Now, was there a particular pressing deadline about
5 when you had to introduce that legislation vis-a-vis when
6 Congress was in session?

7 A. I'm sorry. Say it again.

8 Q. Was there a deadline of when you wanted to get these
9 tax changes implemented?

10 A. I don't know that. But there could have easily been
11 a session deadline when a tax bill was going to move or when a
12 caption was going to move -- when we thought a caption was
13 going to move out of the Senate or out of the House that we
14 could put our language on.

15 (Exhibit 21 was previously marked)

16 Q. (BY MR. CASTILLO) Let me show you Plaintiff's Exhibit
17 No. 21.

18 A. Okay.

19 Q. And the reason I'm showing you Plaintiff's Exhibit
20 No. 21 is to see if it helps you with: When were you trying
21 to get that tax legislation to be considered?

22 A. Well, based on this memorandum, it seems that we were
23 shooting toward the fall session and Congress maybe moving a
24 tax bill in the fall of 2005.

25 Q. All right. And so something had to be done between

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1 April of 2005 and the fall of 2005 to get this tax bill being
2 considered.

3 A. That's true.

4 Q. Tell the jury how you were going to go about doing
5 that.

6 A. Well, we were going to assemble a team that could
7 talk to the Senate Finance Committee, the Majority and
8 Minority Members, Senator Baucus and Senator Hatch and other
9 members of the Senate; and we were going to assemble a team
10 that could talk to the House Ways and Means Committee Chairman
11 and the Ranking Member and solicit their help on -- on getting
12 the legislation introduced by the right people and -- or
13 whether we were going to try to just put it as an amendment to
14 the tax bill that was going to be authored by the Chairman and
15 Ranking Member.

16 So that's -- it was a -- kind of a standard
17 operating procedure on trying to go pass a tax bill that you
18 focus on the Ways and Means Committee in the House and the
19 Senate Finance Committee in the Senate.

20 Q. Okay. Do you do any study on who your client is
21 before you attempt to make these contacts and the
22 introductions?

23 A. Can you elaborate on what "study" means?

24 Q. Find out who your client is and what they do and any
25 skeletons in the closet.

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1 A. We had already been representing Stanford Financial.
2 I had already been down to the -- to the islands and seen the
3 bank, seen the facilities; been in the Houston offices; had
4 seen Mr. Stanford go into very, very high-powered,
5 high-priced, very legitimate law firms and seeking their
6 representation for his firm and -- and big -- and large law
7 firms agreeing to represent Mr. Stanford. The recommendation
8 by Larry Temple, as I testified to earlier.

9 It was standard operating procedure the way that
10 you observed and learned about a client. I did not feel the
11 necessity to really go beyond that. It wasn't -- it wasn't in
12 my mind that there was -- that I had a -- a problem with a
13 client. There had not been any warning lights go off that
14 certainly had come to my attention.

15 Q. All right. So what I hear you saying is that from
16 your observations of Mr. Stanford and his operations, you felt
17 comfortable taking him on as a client?

18 A. Yes.

19 Q. And you felt comfortable enough to introduce him or
20 introduce his name to Senators and Legislators --

21 A. Yes.

22 Q. -- in the House of Representatives, correct?

23 A. Yes.

24 Q. Did you --

25 A. But --

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1 Q. Go ahead.

2 A. This legislation had a much broader application than
3 Stanford that we were trying to do.

4 Q. And the broader implication (sic) was for who?

5 A. Other companies and -- that would be interested in
6 locating in the Virgin Islands, other companies doing business
7 in the Caribbean. And -- and this was a number one goal of
8 the government of the U.S. Virgin Islands.

9 Q. All right. So what I hear you saying is that the
10 effort would have been paid for by Mr. Stanford, but the
11 benefit would enure to any other company who could take
12 advantage of the tax changes -- tax law change --

13 A. Yes.

14 Q. -- correct?

15 MR. MADRID: Objection, form.

16 Q. (BY MR. CASTILLO) And the other beneficiary of the
17 effort would be the U.S. Virgin Islands?

18 A. Yes.

19 Q. How did the U.S. Virgin Islands win?

20 A. They would be the huge winners because people would
21 come down to the U.S. Virgin Islands. They would have to --
22 from what we were proposing, they would have to become
23 citizens of the Virgin Islands. And they would have to invest
24 up to X million dollars and have to employ X thousand
25 employees or X hundred employees to be able to qualify under

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1 the legislation that we were proposing.

2 Mr. Stanford went to the Virgin Islands and made
3 a sizeable investment in real estate and built a building that
4 complied with the square footage that you would need to have
5 under the old statute and employed the number of people that
6 needed to be hired under the old statute.

7 Q. Did he, in fact, do that in the U.S. Virgin Islands?

8 A. Yes, he did.

9 Q. Where?

10 A. In St. Croix.

11 Q. All right. And was that already in place?

12 A. No. He -- he bought the -- the property in St. Croix
13 after all this got started, I believe. Yes.

14 Q. But before the -- well, the tax law never was
15 changed.

16 A. No, but -- but during this period of time.

17 Q. So did he buy it on the come, hoping that you're
18 going to be successful in getting the tax law changed?

19 MR. MADRID: Objection, form.

20 A. I don't know that for sure, but I assume that.

21 Q. So he bought it regardless of whether the tax law
22 changed?

23 MR. MADRID: Objection, form.

24 A. Yes, he did.

25 Q. Okay. And the people that were employed by the

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1 bank -- or his operation that you say was in St. Croix were
2 employed whether the tax law changed or not, correct?

3 A. Well, there would be many, many more that would be
4 working there if the tax law had been changed.

5 Q. Because other companies would come in?

6 A. Well, other companies. But he would have moved more
7 of his operation to the --

8 Q. From where to where?

9 A. From Antigua and maybe Houston to the U.S. Virgin
10 Islands.

11 Q. All right. So the people of the United States Virgin
12 Islands would benefit from having more jobs, correct?

13 A. Yes.

14 Q. More tax base, correct?

15 A. Yes.

16 Q. Possibly more tourism, because it would open more
17 companies --

18 A. That's right.

19 Q. -- and more people would come, correct?

20 A. More airlines, yes.

21 Q. Okay. The government of the U.S. Virgin Islands
22 would benefit, wouldn't it?

23 A. Yes.

24 Q. Because they would have an increased tax base,
25 correct?

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1 A. Yes.

2 Q. Did anybody in the U.S. Virgin Islands government pay
3 any of the fee for this effort?

4 MR. MADRID: Objection, form.

5 A. Not to -- not to my firm. Not to our firm, but to --
6 there were other people that were hired, who represented the
7 U.S. Virgin Islands, that they were paying large fees to.

8 Q. Okay. Did anybody in the United States Virgin
9 Islands government pay any fee to the Barnes Group?

10 A. No.

11 Q. All right. So the only person that paid the Ben
12 Barnes Group would have been Allen Stanford?

13 A. That's correct.

14 Q. All right. Any other U.S. company join in the effort
15 to pay your fee to get the tax law changed for their benefit?

16 MR. MADRID: Objection, form.

17 A. No.

18 Q. Were there any other specific companies that were
19 identified as being supportive of your tax initiative?

20 A. That were my clients?

21 Q. Yes, sir.

22 A. No.

23 Q. How about any of them that heard about your efforts
24 and said, "We'll join in"?

25 A. I don't remember. There was probably some people we

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1 represented that would have benefited by it, if -- if the law
2 had been change, but I don't -- I don't recall.

3 Q. Okay. All right. So we were talking a little bit
4 about whether you were doing any investigation. And I think
5 you've described for the jury why you felt comfortable with
6 Stanford, correct?

7 A. Yes.

8 Q. Anything else that gave you that comfort?

9 A. No. I had been around the company, as a client
10 relationship, that I had -- I had seen -- I had seen no signs
11 of -- that any red lights ought to be going off.

12 Q. Okay. "Anything else that you did to give you the
13 comfort?" was the question.

14 A. I think probably the fact that Tom Delay and Pete
15 Sessions and a group of Republican legislators that he -- that
16 John Cornyn had been to Antigua, our United States Senator,
17 and spent the weekend with Mr. Stanford.

18 That -- I just saw things happening. Tom Delay
19 was ready to work as hard as he could on this legislation. I
20 assumed that people who had political careers were probably
21 doing a little bit more due diligence than law firms were
22 doing and that firms like ours were doing, so that gave me
23 some degree of comfort.

24 Q. Anything else other than you judged him by the
25 company he kept?

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1 MR. MADRID: Objection, form.

2 A. No.

3 Q. That's what you were doing, right? I mean, he was --

4 A. Yeah. Sure.

5 Q. -- with Tom Delay and --

6 A. Sure.

7 Q. -- he was hobnobbing with important people.

8 A. Yeah.

9 MR. MADRID: Objection, form.

10 Q. (BY MR. CASTILLO) And so that gave you some comfort in
11 who he was?

12 A. Yes.

13 Q. Anything else that you did to get some comfort on
14 Allen Stanford as a client?

15 A. Not that I remember.

16 Q. All right. So what's the next step? You know who
17 your client is and you know what he's trying to accomplish.
18 How do you go about getting a tax bill introduced?

19 A. We assembled a team of people that -- who I
20 considered to be very experienced people in the legislative
21 process in Washington.

22 John Rafaelli had been General Counsel to the
23 Senate Finance Committee. Senator Benson was Chairman, had a
24 lot of experience and knew how the Finance Committee worked.
25 Another one of the members we hired had worked on the Finance

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1 Committee when Senator Baucus was there. Senator -- Scott
2 Reed was a very good friend of Senator Hatch. Senator McCain
3 had been Chief of Staff to Senator Dole when he was Majority
4 Leader. There was a -- the law firm that represented the U.S.
5 Virgin Islands was a good law firm. They had good people on
6 their team. I think we assemble a pretty capable team.

7 Q. All right. So you assemble a team and then you
8 assign -- or somebody assigns projects or part of the
9 responsibility --

10 A. And we all meet --

11 Q. -- and move ahead?

12 A. We all meet around a table like this and say, "I'll
13 take them" and "I'll take this one," "You take this one." I
14 mean, it was a -- it was a community effort and community
15 decision-making on who was going to do what.

16 Q. At some point you have to convince either the Senate
17 Finance Committee or the Chairman of the House Ways and Means
18 Committee of "Why should we do this," don't you?

19 MR. MADRID: Objection, form.

20 A. Sure.

21 Q. Okay. And is there ever a question about: What's
22 the economic impact of this change?

23 A. There was a white paper that was prepared by a firm
24 that we hired. There was other firms hired by the U.S. Virgin
25 Islands. I think probably the OMB, the budget-making arm of

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1 the United States Government, did a study on economic impact.

2 There were a lot of studies on the economic
3 impact on changing the law in the U.S. Virgin Islands. And it
4 had been worked on a lot longer than I had been working on it.

5 Q. Was there an economic impact analysis done while you
6 were the manager of the team?

7 A. Well, our firm was the manager of the team. I -- I
8 think the white paper that we prepared had some economic
9 impact. I think the Virgin Islands probably had a new
10 economic impact prepared. I -- and maybe OMB. I don't know.
11 I mean, there was -- there was -- there was a lot of current
12 numbers that we were -- that we were given and we were working
13 with.

14 You're dealing with -- with bureaucrats and
15 technocrats. People that got paid to -- to look very
16 carefully at legislation and its economic impact on whoever
17 were the beneficiaries of the legislation. So that was all
18 being done.

19 Q. Okay. And was there an economic analysis done for
20 the beneficiaries of the legislation?

21 MR. MADRID: Objection, form.

22 A. Yes, I assume there was.

23 Q. Was there one done for what the economic impact would
24 be on the United States Virgin Islands?

25 A. I'm sure there was.

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1 Q. Was there an economic analysis done of what the
2 impact would be on the United States?

3 A. I'm sure there was.

4 Q. And part of that would be kind of a loss of a tax
5 base, correct?

6 MR. MADRID: Objection, form.

7 A. Yes, there would be some lost revenue. It was --
8 they were -- I remember discussions about how that it would
9 cut down the amount of money that was being appropriated
10 directly to the U.S. Virgin Islands from the United States
11 Treasury.

12 I think that we had discussions about that there
13 was a good possibility that we might be able to make it
14 economic neutral. In other words, there would be no loss to
15 the Treasury, nor any gain. That's -- I think that's what our
16 ambitions were.

17 Q. Okay. Because you appropriate less, but you --

18 A. Generate more taxes.

19 Q. -- generate more taxes. Okay. Was there ever an
20 economic analysis of the impact on Stanford Financial?

21 A. I don't know that. I didn't -- we didn't do that.

22 Q. Do you know if anybody did it?

23 A. Oh, I'm sure that they did. I'm sure that Jim Davis
24 and Yolanda -- I'm sure that they had a -- it would have been
25 -- and I don't remember the discussion of any numbers. But it

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1 would have had a big impact on the -- on the Stanford company
2 and its shareholders. It would have had a huge economic
3 benefit to Stanford.

4 Q. Okay. Have you ever seen that?

5 A. No.

6 Q. Did you ever look at it?

7 MR. MADRID: Objection, form.

8 A. I may have seen numbers. I don't remember.

9 Q. Do you remember having any discussion with anyone
10 about the economic impact on Stanford?

11 A. Oh, I'm sure I did. I don't recall that. I'm sure
12 that was part of the -- we had discussions about that.

13 Q. With who? Who did you have a discussion with?

14 A. Well, probably Yolanda and maybe -- I don't know.
15 Different Stanford people that were moving back and forward to
16 Washington that were working on this and with the -- but I
17 don't recall the specific individual, no.

18 Q. Do you recall any numbers being tossed around?

19 A. No.

20 Q. Do you recall any discussion on the economic impact
21 on the investors in Stanford?

22 A. No. But when I say shareholder, I would say
23 investors and that would be the beneficiaries, also.

24 Q. Any discussion about specific benefit to any
25 shareholder?

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1 A. No.

2 Q. And you knew that Mr. Stanford was the hundred
3 percent shareholder of Stanford Financial, didn't you?

4 MR. MADRID: Objection, form.

5 A. Probably so.

6 Q. Were you ever asking Stanford Financial for some
7 information about Stanford so you could share with the members
8 of the legislature, so they could be familiar with who
9 Stanford is?

10 A. Well, we had the website. We had the Stanford
11 statements. We had the -- we had written material that was
12 provided by Stanford Financial that was available to us all.

13 Q. Okay. And that's what you were providing to members
14 of the legislature?

15 A. Yeah, if -- those that asked for it. It was not --
16 you didn't go see the members of Congress on the behalf of
17 Stanford. You went to see -- they knew who your client was,
18 but you didn't have a discussion about Stanford. You had a
19 discussion about the U.S. Virgin Islands and what impact it
20 would have on the investors there.

21 Q. But you actually did mailouts, though, of the
22 Stanford Eagle, didn't you?

23 A. No, I don't know we did mailouts. I don't know. I
24 don't know that. We may have. I don't know, to be honest.

25 (Exhibit 9 was previously marked)

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1 Q. (BY MR. CASTILLO) Let me show you Exhibit No. 9, sir.

2 A. Okay.

3 Q. And we had talked earlier about Susan Martin. That
4 was your secretary, correct?

5 A. Yes.

6 Q. And it appears that she was asking for brochures
7 about Stanford.

8 A. Yes.

9 Q. And that somehow Julie Hodge was telling her that
10 they're going to provide the Eagle -- Stanford Eagle magazine
11 for her.

12 A. Uh-huh.

13 Q. Do you know whether or not those were being sent out
14 to members of the legislature?

15 A. I --

16 MR. MADRID: Objection, form.

17 A. I don't have any idea. This -- that's what this
18 says. It's not unusual at all. It's standard practice for
19 staffs to request information about companies that you
20 represent when you're going to go see the staffs. They always
21 want --

22 MR. MADRID: I think I heard your question being
23 the -- provided to the legislature?

24 MR. CASTILLO: No. Yeah, after --

25 MR. MADRID: That's what you asked.

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1 MR. CASTILLO: Right.

2 MR. MADRID: Because this -- this says the Cohen
3 Group. I just want to make sure that this is the right
4 exhibit that you're --

5 MR. CASTILLO: Yeah. Well, no, at first it was
6 that Ms. Martin was asking for brochures --

7 MR. MADRID: Right.

8 MR. CASTILLO: -- from Julie Hodge. And then
9 the next question was: Did you ever send that to the
10 legislature? I mean, it's not going to be any secret.

11 MR. MADRID: I may have -- I may have misheard
12 you.

13 MR. CASTILLO: And I might have misspoken. I'm
14 just trying to get done within --

15 THE WITNESS: Don't slow him down.

16 MR. CASTILLO: Hurry me up. Hurry me up.

17 THE WITNESS: I mean, let's not -- look --

18 MR. CASTILLO: Whether it was sent or it wasn't
19 sent --

20 THE WITNESS: The Cohen -- the Cohen Group is --
21 is not the member. I don't have any idea --

22 MR. CASTILLO: We'll get to that later --

23 THE WITNESS: Okay. All right. Go ahead.

24 MR. CASTILLO: -- where the mailout was mailed.
25 I mean, there's no secret to that.

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1 THE WITNESS: Counselor, I apologize.

2 MR. MADRID: Forget the last few minutes.

3 Q. (BY MR. CASTILLO) And I'm sorry to have to show you
4 some of these documents, because I'm trying to get some
5 timeframe and --

6 A. I understand.

7 Q. -- and I know it's been nine years ago.

8 A. Yeah.

9 (Exhibits 12 and 13 were previously marked)

10 Q. (BY MR. CASTILLO) Let me show you Plaintiff's Exhibits
11 12 and 13.

12 A. Okay.

13 Q. Let me just substitute these for mine. They're the
14 ones with the little yellow stickies.

15 A. Okay. Here you go.

16 Q. Thank you, sir.

17 A. I'm sorry.

18 MR. MADRID: Oh, this is the same thing, right?

19 MR. CASTILLO: Yes, sir. Yes, sir. It's
20 Exhibits 12 and 13 -- Plaintiff's Exhibits 12 and 13.

21 Q. (BY MR. CASTILLO) Because I've looked for all -- at
22 all of the records of both your production and Stanford's
23 production to see when I could place Mr. Barnes in the Island
24 of Antigua. And this is the first document where I see that
25 you're traveling to Antigua.

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1 A. Okay.

2 Q. If you would have traveled before, would there be
3 some record of it?

4 A. I don't know.

5 Q. If you paid for your airfare you would have had
6 expenses?

7 A. Remember that one of the bad things about our
8 representation of Stanford is that we didn't get expenses.
9 And, therefore, a lot of the money we paid were -- went to
10 expenses.

11 Q. Yes, sir. But internally you would have had to buy
12 an airplane ticket.

13 A. Oh, yes.

14 Q. Okay. That's what I mean. So we would be able to
15 see if you had been to Antigua before June 20 -- June of 2005,
16 right?

17 MR. MADRID: If you know.

18 A. I don't know. I mean, yes, but -- have we produced
19 the records? Do you have a ticket? I don't know.

20 Q. We don't. This is the first --

21 A. Okay.

22 Q. -- indication I have other than that 2002 3.5 hours
23 of aircraft time on the Learjet.

24 A. Okay.

25 Q. I have nothing else that shows when you went to

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1 Antigua other than this Plaintiff's Exhibit No. 12 and 13.

2 A. Okay.

3 Q. All right. So it appears that -- from looking at
4 Plaintiff's Exhibit 12 and 13, that you were going and you
5 were going to pick up Jim Davis in Memphis and you were flying
6 together.

7 A. Yes.

8 Q. Do you see that?

9 A. Yeah.

10 Q. Do you recall that meeting?

11 A. Very vaguely. But, I mean, I recall the meeting down
12 there. I don't really -- I don't really recall going by
13 Memphis, but I'm sure I did. I just don't remember that part.

14 Q. And then do you remember talking to Mr. Davis about
15 the operation?

16 A. We're talking about one where -- we were talking
17 about the -- the tax laws of the U.S. Virgin Islands, I'm
18 sure.

19 Q. Okay. Because that's kind of the project you were
20 involved in?

21 A. Yeah.

22 Q. We started seeing that April of 2005. You're trying
23 to get it done by the fall of 2005, correct?

24 A. Yes, sir.

25 Q. All right.

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1 (Exhibit 15 was previously marked)

2 Q. (BY MR. CASTILLO) Maybe this will help, Exhibit
3 No. 15. And this appears to be the agenda for the June 2005
4 meeting.

5 A. Okay.

6 Q. Does this refresh your memory at all of whether this
7 was the very first visit that you've been -- that you went to
8 the Stanford property in Antigua in June of 2005?

9 A. It really doesn't. I know -- obviously, seeing this
10 makes me remember part of this trip right here. But I don't
11 -- I don't remember whether this was my first trip or not.

12 Q. Okay. And this trip, was it in connection with the
13 tax initiative?

14 A. Yes.

15 Q. All right. And by June 29th and 30th you had already
16 paid -- you had already earned and been paid a million
17 dollars, correct?

18 A. Yes.

19 Q. Did you ever change the agreement with Mr. Stanford
20 from a flat fee to an incentive payment?

21 A. No. Not to my memory, no.

22 Q. Never -- you never had any discussions with Yolanda
23 Suarez about that?

24 A. We may have had a discussion about this. You know,
25 as I testified to you earlier, Mr. Stanford is kind of slow

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1 pay. It was -- I'm sure -- I don't -- I don't really know
2 whether I had a conversation or not about it. But, you know,
3 he was not above about -- fussing about fees.

4 Q. Okay. My question was: Do you remember having any
5 discussion with Yolanda Suarez about an incentive fee?

6 A. No. No, I don't. I may have, but I don't know.

7 Q. And I know you characterize Mr. Stanford as slow pay.
8 But we can look at Exhibit 111, the date of the invoices and
9 the day that you got -- the day you received payment, couldn't
10 we?

11 A. Well, that's -- yes, you can look at that. But it's
12 -- that -- those million dollars had been earned probably for
13 a long -- I mean, that was probably part of being earned for a
14 year, two years. I mean, it hadn't been anything paid. So,
15 you know --

16 Q. The June 2005 million dollars, you had already earned
17 that before you even --

18 A. Yes.

19 Q. -- did any of this work going forward on the tax
20 incentive, right?

21 A. On the tax incentive, yes.

22 Q. And we should be able to see some work there to be
23 able to determine whether you gave any value to Stanford in
24 exchange for that.

25 MR. MADRID: Objection, form.

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1 Q. (BY MR. CASTILLO) Right?

2 A. I know there was value. I don't know whether you've
3 got anything that shows that. But it's -- it's going back to
4 the -- it goes back to the memorandum that Mr. Caperton
5 prepared and gave y'all some time ago, outlining the scope of
6 our work.

7 Q. You talked about a white paper.

8 (Off-the-record discussion)

9 (Exhibit 24 was previously marked)

10 Q. (BY MR. CASTILLO) First let me show you Exhibit
11 No. 24. Is Plaintiff's Exhibit No. 24 what you call a white
12 paper?

13 A. Yes, it is.

14 Q. And this is a culmination of all of the efforts that
15 you're making to be able to introduce this rationale for the
16 change in the tax law, correct?

17 A. Yes.

18 Q. And who is this shared with?

19 A. It's shared probably with all interested parties in
20 the legislation. Probably shared with members of Congress --
21 I mean their staff. Primarily their staffs.

22 Q. And who distributes it to them?

23 A. The various and sundry people that were working on
24 this: The law firm for -- for U.S. Virgin Islands, the
25 Stanford's law firm, our team that had been assembled by our

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1 firm.

2 Q. Okay. And who actually writes the language of the
3 proposed statute?

4 MR. MADRID: Objection, form.

5 A. The staff of the Ways and Means and Finance
6 Committee.

7 Q. Any input from your group?

8 A. Yes.

9 Q. Do you give them a draft?

10 A. In some cases they will accept a draft. In other
11 cases they won't. They want you to talk while they're
12 drafting.

13 Q. Do you remember what happened in this case?

14 A. No, I don't.

15 Q. Then once you introduce it to the Senate and the
16 House, what efforts do you make to see if they're on board and
17 they will support it?

18 A. You work the committee and the committee staff people
19 and then you attempt to count votes. When you get an author
20 and someone that's willing to -- to bring it up in committee,
21 get it on the calendar to be considered, then you start trying
22 to count votes.

23 Q. My only familiarity with that whole process is what
24 I've seen on House of Cards. Have you seen that episode of
25 House of Cards?

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1 MR. MADRID: Objection, form.

2 A. No, I -- I've haven't. I've not seen House of Cards.

3 Q. You haven't? Okay. Well, it seems to me that what
4 you're doing is you're -- you're contacting people behind the
5 scenes to see if they're supportive of your measure, correct?

6 A. If that's what -- I'm sure if it's -- if it's on
7 House of Cards, it's correct.

8 Q. It's got to be. No, I'm asking you --

9 A. Because they wouldn't put anything --

10 Q. -- from your experience. Isn't that what happens?

11 A. Do you contact people behind the scenes? Well, yeah,
12 you do. Talking to a member of the legislature is a private
13 adventure. Normally, you want -- you want to talk to the
14 legislator or his single staff person and you want to do it in
15 the privacy of their offices.

16 Q. And you want to do it in person, as opposed to --

17 A. Yes.

18 Q. -- email?

19 A. Yes. Right.

20 Q. Who are the people that your -- your group was
21 contacting? Was Charlie Rangel one?

22 A. Charlie Rangel, yes, sir.

23 Q. "Rangel". I'm sorry.

24 A. Yes. Sorry.

25 Q. From the State of New York?

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1 A. New York. Harlem, New York City.

2 Q. And what was his interest in the U.S. Virgin Islands?

3 A. He had a big interest in it a long time before I
4 was -- had any interest in it. He was -- I think he was a --
5 had been a long-time member of the Black Caucus, a long-time
6 member of the Caribbean Caucus. He had been to the Caribbean
7 many times and has -- and at one time was Chairman of the
8 Caribbean Caucus.

9 Q. Okay. Was --

10 A. Maybe at that time.

11 Q. Was he on board with the --

12 A. Yes, he was.

13 Q. -- proposed changes?

14 A. Uh-huh.

15 Q. And do you have to do anything so that you can
16 convince him to be on board or was he on right away?

17 A. I think he was on board with the improving economic
18 development in the Caribbean and for this legislation or
19 similar legislation a long time before I ever got interested
20 in this.

21 Q. Did -- did he ask for campaign contributions for any
22 other members that were running? House of Representatives or
23 Senators?

24 MR. MADRID: Objection, form.

25 A. I don't know. I've met very few -- with great due

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1 respect to elected officials, I've met very few elected
2 officials that didn't ask for campaign contributions.

3 Q. Did you, in turn, ask Mr. Stanford to contribute to
4 candidates of Mr. Rangel's choice?

5 MR. MADRID: Objection, form.

6 A. As with all of our clients, I ask them to make
7 contributions to political candidates and to Members of the
8 House and Senate. It's part of our doing business in
9 Washington that we have to give money to people when they run
10 for office. It's a never-ending process of raising money for
11 people that -- Members of the House have to run every two
12 years. They have to raise money continually.

13 (Exhibit 110 was previously marked)

14 Q. (BY MR. CASTILLO) Now if you look at Plaintiff's
15 Exhibit No. 24, this white paper, there was another version
16 that was later in the fall, Plaintiff's Exhibit 110.

17 A. Uh-huh. Do you want me to read this?

18 Q. No, sir. Just note the cover page. It's the same.
19 It's a white paper, probably a different version, right?

20 MR. MADRID: Well, look it through so you can
21 answer that question, please.

22 A. (Witness complies.) There's some -- it takes some
23 time to go through words. It looks like there's some
24 difference in places -- placement of paragraphs and maybe a
25 difference in content.

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1 Q. Right.

2 A. I'd be happy to take the time, if you want me to.

3 Q. I think anybody on the jury can compare them and make
4 the determination that they're different.

5 A. Okay. Thank you.

6 Q. They're different versions, at least.

7 A. Okay.

8 Q. Has anybody ever asked you to look at this white
9 paper to see what benefit this tax law change would have for
10 Stanford Financial?

11 A. I don't recall anyone asking me to look at it. I
12 looked at it.

13 Q. But not with that in mind?

14 A. No.

15 Q. Okay. And that's true as of today?

16 A. Yes.

17 Q. You couldn't -- you'd have to read it to tell me if
18 there was some --

19 A. I'd have to read it. Yes, I would have to.

20 Q. Okay. And I guess anybody that could read it could
21 make that determination?

22 A. Well, it may take me longer than most people, but I
23 could probably do it.

24 Q. All right. What happened to that proposed change?

25 A. It -- they didn't move a tax bill that fall, if I

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1 recall right. And then we set about to try to get Treasury,
2 through their regulatory and rulemaking authority, to broaden
3 the regulations regarding USVI with anticipation of being able
4 to go back into Congress in 2006 or 2007 and make the changes.

5 Q. Were there efforts done in 2006?

6 A. I'm sure there was.

7 Q. By the Ben Barnes Group?

8 A. I'm sure there was. I don't recall. I'd have to go
9 back and find out. But we continued -- we continued to
10 represent Stanford during that time, so I'm sure we were
11 working on it.

12 Q. On the tax issue?

13 A. Yes.

14 Q. Okay. And so if you look at -- going back to
15 Plaintiff's 111. So we're going to try to put the work that
16 you did from June 2005 through the end of this white paper,
17 November 2005, to see if you got paid for that work.

18 A. Yes.

19 Q. Look at Plaintiff's Exhibit 111.

20 A. (Witness complies.) Okay. I have it now, sir.

21 Q. Did you bill Stanford Financial for the work that you
22 did from June 2005 through December 2005?

23 A. Yes.

24 Q. And that -- you got paid \$500,000 on December 2005,
25 correct?

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1 A. Yes.

2 Q. Would that have brought you whole up until that
3 point?

4 A. I assume so. I'd have to -- it would be more.

5 Q. Well, that's why we asked you for all of the invoices
6 and all of your payments. And this appears to be the
7 compilation. Any other invoices that you thought were still
8 outstanding as of December 2005?

9 A. I'd have to talk to my bookkeeper and find out. But
10 this seems about -- that would be \$50,000 a month. That would
11 be about -- yeah, I assume that's correct.

12 Q. All right. So let's look at what the arrangement
13 was. Because if you look at some of the invoices -- for
14 instance, let's look at the Invoice No. 844.

15 MR. MADRID: Do you see a page number?

16 MR. CASTILLO: I don't see a Bates number.

17 MR. MADRID: There's a number at the bottom. Is
18 it -- bottom right-hand corner.

19 MR. CASTILLO: Right in the center: 1059 --
20 10591.

21 MR. MADRID: Thank you.

22 MR. CASTILLO: Right here, sir. These little
23 numbers: 10591.

24 MR. MADRID: 10591.

25 A. Okay.

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1 Q. Is it -- if you'll look at the Invoice 844 on
2 Plaintiff's Exhibit 111, it's a retainer for the month of
3 October: \$265,000.

4 A. Okay.

5 Q. How much of that was for Ben Barnes Group as opposed
6 to some of the people that were doing some work for you?

7 A. I'd have to go back and look at the breakdown of what
8 everyone was getting. I can't recall that off the top of my
9 head.

10 Q. Okay.

11 A. There were a lot of different firms getting paid out
12 of that.

13 (Exhibit 83 was previously marked)

14 Q. (BY MR. CASTILLO) Let me show you Plaintiff's Exhibit
15 No. 83. Maybe this will help you.

16 A. Okay.

17 Q. Because it appears that out of the \$265,000, \$55,000
18 was going to people outside of Ben Barnes Group.

19 A. Well, in this particular month that's what this says.
20 That's just this one month, though.

21 Q. So this doesn't help you with how much you were
22 paying Scott Reed, Jim Sharp?

23 A. Well, I'd have to -- I'd have to know -- look at --
24 look at this whole payment period globally to try to see who
25 got paid what. And it seems to me like that Mitch Delk was

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1 getting paid more than this \$25,000. I think he was -- I just
2 remember vaguely that I thought he was getting paid \$50,000 at
3 some time. I mean, I -- but I don't know. I don't know.

4 This -- this doesn't help me any. It helps me
5 on this particular month. This obviously happened that month.
6 I don't understand why Jim Sharp and -- or I really don't
7 understand why Scott Reed was --

8 MR. MADRID: You've answered -- you've answered
9 his question.

10 THE WITNESS: Okay. Thank you. Sorry.

11 Q. (BY MR. CASTILLO) So you don't know how much was to
12 Ben Barnes Group versus how much was to the others of the
13 \$265,000 per month?

14 A. Well, I know about this month right here, based on
15 this piece of paper.

16 Q. Well, go back to Plaintiff's Exhibit 111. Have that
17 in front of you.

18 A. (Witness complies.) Okay.

19 Q. For instance, in February of '06 you got a \$500,000
20 retainer. Can you tell us how much Ben Barnes Group got
21 versus any other people that were doing work?

22 A. No, I can't. I let -- I do it -- we'd have to go
23 look at the records. And -- I'd just have to see the paper.

24 Q. Okay. So we should be able to see either a payment
25 out or a separate invoice from those subs that you included in

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1 the \$265,00?

2 A. Yeah, I don't know whether we got separate invoices.
3 I don't know whether we got invoices -- we may or may not
4 have -- or whether we just paid them. I don't -- I don't
5 know. That's my bookkeeping department.

6 MR. CASTILLO: Okay. Why don't we take about
7 five minutes. I'm going to probably -- I'm going to regroup
8 and probably be done in 30 minutes.

9 THE WITNESS: Okay.

10 THE VIDEOGRAPHER: Off the record at
11 approximately 1:24 p.m.

12 (Recess)

13 (Exhibit 116 was previously marked)

14 THE VIDEOGRAPHER: This is the beginning of Tape
15 Four. We're back on the record at approximately 1:37 p.m.

16 Q. (BY MR. CASTILLO) Mr. Barnes, just a couple of more
17 areas that I want to talk to you about.

18 I'm showing you Plaintiff's Exhibit No. 116.
19 And this was provided to us in discovery. And this appears to
20 be a listing of all of the invoices and payments received by
21 the Ben Barnes Group in 2008 through 2009.

22 And you see where in 2008 there was a lot of
23 \$55,000 entries?

24 A. Uh-huh.

25 Q. Do you know if that was payment for the other team

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1 members besides the Ben Barnes Group?

2 A. I don't know.

3 Q. And you see the last payment that's listed on
4 Plaintiff's Exhibit 116 in the amount of \$110,000? This was
5 right before the SEC filed the lawsuit against some of the
6 Stanford folks. Are you aware of that?

7 A. I'm not aware of the date they filed it, but I'll
8 take your word for it.

9 Q. Okay. In fact, you were the person that revealed
10 that Mr. Stanford actually had been served with a copy of the
11 lawsuit, weren't you?

12 A. Revealed to whom?

13 Q. To the public.

14 A. I don't know. If you say so. I don't know. It's --
15 I don't know.

16 Q. Okay. Were you in contact with Mr. Stanford during
17 the last four months before the SEC took over?

18 A. Mr. Stanford came to my office in the last few days
19 of the -- before the SEC -- or when the SEC was taking over.

20 Q. Okay. And you were trying to arrange legal
21 representation for him?

22 MR. MADRID: Objection, form.

23 A. Yes.

24 Q. Okay. In fact, you had lawyers send engagement
25 letters so that you could present to Mr. Stanford?

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1 A. Probably so.

2 Q. Any of that \$110,000 payment that you got -- that the
3 Ben Barnes Group got paid on February 11, 2009, what was that
4 for?

5 A. Well, I'm sure it -- it looks to me like he was
6 several months behind and that was a -- that was a catching up
7 on some of the months that he was behind.

8 Q. We could actually look at your last invoice to figure
9 out what the last work you did, right?

10 A. Well, the invoice could have been for past due
11 services. The last invoice is -- is January 2009, \$55,000.
12 It got -- and it got paid, yeah.

13 Q. And you were also doing work for these -- in
14 connection with the Synergies -- Synergies -- Energy Service
15 Project?

16 A. Yes, but that -- that money went to them. That --
17 that didn't go to me.

18 Q. Okay.

19 A. It got paid through me, but that's all.

20 Q. And was that -- what was Stanford doing in connection
21 with that?

22 A. That was a wind energy project that he was trying to
23 do in the Caribbean and Antigua or U.S. Virgin Islands. I
24 mean, they're in the wind business. I had -- I had really
25 very little to do with that. I don't really know what all

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1 they were doing.

2 Q. On the United States Virgin Islands tax project,
3 whose idea was that?

4 A. Oh, I have no idea.

5 Q. Was it a Stanford idea?

6 A. For him to hire -- for Stanford to hire us, I'm sure
7 that was his idea. But the changes in the U.S. tax law in the
8 U.S. Virgin Islands, I'm sure that was not his idea. That
9 was -- that was an idea that had been going on for -- for
10 maybe 15 or 20 years.

11 Q. But your efforts were being paid by Allen Stanford?

12 A. That's true.

13 (Exhibit 75 was previously marked)

14 Q. (BY MR. CASTILLO) Let me show you Plaintiff's
15 Exhibit 75. Have you ever seen this before?

16 MR. MADRID: Take your time to read it, please.

17 THE WITNESS: Okay.

18 Q. (BY MR. CASTILLO) You note in the Footnote No. 1 --
19 this is an attorney/client memo from the Chamberlain, Hrdlicka
20 firm to Mr. Davis. And at Footnote No. 1 it says, "As noted
21 by Mr. Barnes, the amendment will be introduced as being for
22 the benefit of the Virgin Islands."

23 A. Okay.

24 Q. Do you know where they got that from?

25 A. Probably --

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1 MR. MADRID: If you know. If you know.

2 A. I really don't know.

3 Q. So do you deny that you never noted that?

4 MR. MADRID: Objection, form.

5 A. Working on the U.S. Virgin Islands tax changes, the
6 legislation was always being introduced as being for the
7 benefit of the Virgin Islands.

8 Q. Okay. Never for the benefit of Stanford Financial?

9 A. That's right.

10 Q. Okay. It wasn't a Stanford idea?

11 A. No.

12 (Exhibit 101 was previously marked)

13 Q. (BY MR. CASTILLO) In fact, let me show you Plaintiff's
14 Exhibit No. 101. This is after the SEC takes over Stanford.
15 And apparently you're in the spotlight again and you're being
16 quoted by the Austin Chronicle -- or the Houston Chronicle.

17 A. Okay.

18 Q. Do you see the second page where it says "Tax work"
19 on the right-hand column, second paragraph?

20 A. Yeah.

21 Q. Do you agree with that statement?

22 A. Yes, I do.

23 Q. Okay.

24 A. I agree with Bob Lanier's statement, too.

25 Q. Well, it's probably unanimous.

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1 (Exhibit 76 and 103 were previously marked)

2 Q. (BY MR. CASTILLO) And let me show you 76, 103 and 83.
3 It's going to be the last area.

4 MR. CASTILLO: You're short one, right? Did I
5 give them to you?

6 MR. MADRID: I have two. I'll look -- I'll look
7 at his.

8 Just hand it when you finish. I just want to
9 see them.

10 MR. CASTILLO: Here you go.

11 MR. MADRID: Oh, thanks.

12 Q. (BY MR. CASTILLO) It appears that in January of 2008
13 there's some discussion between Yolanda Suarez and
14 Mr. Stanford concerning your fee.

15 A. Uh-huh.

16 Q. Did Mr. Stanford ever complain to you about your fee?

17 A. I don't remember if he did.

18 Q. Did he ever think that you -- he wasn't getting his
19 money's worth?

20 A. He probably thought that about -- every day about
21 everybody he did business with.

22 Q. Did he tell you that he wasn't getting his money's
23 worth?

24 A. No, I don't remember that he did.

25 Q. Did he ever tell you that he never thought that you

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1 were going to have any success with the proposed tax changes?

2 A. No.

3 Q. The residency requirement, you'll never be able to
4 meet it?

5 A. Well, he was -- moved to the Virgin Islands, bought a
6 house, landed the plane there every other day to try to make
7 sure he met the residency requirements. I don't think he
8 would have been going to all that effort and everything if
9 thought that it was not possible to do it.

10 Q. So he would spend -- get there at ten minutes before
11 midnight and spend ten minutes after midnight and get two
12 days' credit, wouldn't he?

13 A. That's what you said.

14 Q. Isn't that what Mr. Delk said?

15 A. I wouldn't be surprised.

16 Q. All right. And so some discussion about negotiating
17 a success fee -- you have no recollection about having a
18 discussion with Yolanda Suarez about a success fee?

19 A. I may have had a discussion with her. I don't
20 remember any real serious discussion where we sat down and
21 said, "We're going do this for this." It could have happened.
22 I don't know. I mean, I just don't remember it.

23 Q. And why would you be hesitant in doing it as a
24 success fee --

25 MR. MADRID: Objection, form.

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1 Q. -- as opposed to a retainer or flat payment?

2 MR. MADRID: Objection, form.

3 A. The -- you can't -- the payroll of firms come due and
4 expenses come due and things. You can have a very
5 unsuccessful and a lot of cold winters if you do things just
6 based on success fees and contingent fees unless you're a very
7 high-powered trial lawyer, like some represented in this room,
8 that have gotten big contingency fees. I've never been able
9 to do that. So that's -- that's the reason I've had to get
10 paid by the month.

11 Q. Who puts gas in the Volkswagen in the interim?

12 A. Yeah.

13 Q. Right?

14 A. That's right.

15 Q. Okay. So you never had a discussion about having a
16 success fee?

17 A. Not -- not really a serious discussion.

18 Q. And the reasons that you just articulated to the jury
19 on why you wouldn't enter --

20 A. Yes.

21 Q. -- into a success fee in this case --

22 A. Yes.

23 Q. -- is because -- was it a long shot?

24 MR. MADRID: Objection, form.

25 A. Anytime you're talking about the tax code, it's

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1 difficult. With the constituency of the U.S. Virgin Islands
2 and with the United States spending so much money on the U.S.
3 Virgin Islands, this proposal had better odds than most
4 because there was a -- there was a constituency other than a
5 few businesses. It was the people of the Virgin Islands and
6 the government of the Virgin Islands --

7 Q. Okay.

8 A. -- that were dependents of the United States
9 government.

10 Q. Did you ever know what the net worth of Stanford
11 Financial was?

12 A. Not really.

13 Q. Any idea?

14 A. Not right now. I'm sure I looked at his statements,
15 but I never did do a financial analysis of Stanford. And I --
16 we've discussed the reasons that I thought there was strength
17 and vitality and substance there.

18 Q. Okay. And I'm sorry to belabor, but I'm just asking:
19 Did you ever find out what the net worth of Stanford Financial
20 was?

21 A. No.

22 Q. Did you ever compare the financial -- the net worth
23 of Stanford Financial before you received the million dollar
24 payment and after you received the million dollar payment to
25 see if it changed?

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1 A. No, nor did I do that on other companies that paid me
2 large consulting fees.

3 Q. I mean, I just need to get a --

4 MR. CASTILLO: I'm going to object to the
5 responsiveness of the answer.

6 Q. (BY MR. CASTILLO) I just need an answer. Did you ever
7 compare the net worth of Stanford Financial before you got
8 paid a million dollars and after you got paid a million
9 dollars?

10 A. No, I did not.

11 Q. All right. I --

12 MR. MADRID: You've answered.

13 THE WITNESS: Okay.

14 Q. (BY MR. CASTILLO) And did you ever compare the net
15 worth of Stanford Financial in December 2005, when you got
16 paid \$500,000, versus the net worth of Stanford Financial
17 after you got the \$500,000?

18 A. No, I did not.

19 Q. Don't know whether it increased or decreased, do you?

20 MR. MADRID: Objection, form.

21 A. No.

22 Q. Would the same be true of every other payment that
23 you received? You wouldn't know the financial net worth of
24 Stanford Financial before or after?

25 A. It would be true on Stanford Financial and all other

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1 clients that I'm paid by.

2 MR. CASTILLO: Thank you, sir. Those are all
3 the questions that I have today. We'll reserve the rest of
4 them until the time of trial.

5 MR. MADRID: Thank you. I have about two hours.
6 I'll reserve.

7 THE VIDEOGRAPHER: This marks the end of the
8 deposition.

9 MR. MADRID: We'll reserve our questions to the
10 time of trial.

11 THE VIDEOGRAPHER: The time is 1:50.

12 (Proceedings concluded at 1:50 p.m.)

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1 CHANGES AND SIGNATURE

2 DEPOSITION OF BENNY FRANK BARNES

3 PAGE LINE CHANGE REASON

4 _____

5 _____

6 _____

7 _____

8 _____

9 _____

10 _____

11 _____

12 _____

13 I, BENNY FRANK BARNES, have read the foregoing deposition
 14 and hereby affix my signature that same is true and correct,
 15 except as noted above.

16

17 _____ BENNY FRANK BARNES

18 THE STATE OF _____)

19 COUNTY OF _____)

20 Before me, _____, on this day
 21 personally appeared BENNY FRANK BARNES, and proved to me,
 22 through identification card or other document, to be the
 23 person whose name is subscribed to the foregoing instrument
 24 and acknowledged to me that he/she executed the same for the
 25 purpose and consideration therein expressed.

Given under my hand and seal of office on this _____ day
 of _____, 2014.

24

NOTARY PUBLIC IN AND FOR
 THE STATE OF _____

25

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1 F E D E R A L C E R T I F I C A T E

2 STATE OF TEXAS)

3 COUNTY OF COMAL)

4 I, LINDI S. ROBERTS, Certified Shorthand Reporter, in and
5 for the State of Texas, do hereby certify that this deposition
6 transcript is a true record of the testimony given by the
7 witness named herein, after said witness was duly sworn or
8 affirmed by me.

9 I further certify that I am neither attorney nor counsel
10 for, related to, nor employed by any of the parties to the
11 action in which this testimony was taken. Further, I am not a
12 relative or employee of any attorney of record in this cause,
13 nor do I have a financial interest in the action.

14 I further certify that the total cost for the preparation
15 of this Reporter's Record is \$_____ and was/will be
16 paid by attorney for the Plaintiff, the Official Stanford
17 Investors Committee.

18 WITNESS MY OFFICIAL HAND on this, the _____ day of
19 _____, 2014.

20

21

22

23

24

25

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APP000170

EXHIBIT KVT-15

From: Barlow, Laura

Sent: Thursday, January 04, 2007 6:15 PM

To: Hodge, Julie

Subject: David Becker's direct number is (202) 974-1610

Susan from Ben Barnes office called today and said David Becker is the Attorney working on the SEC matter for RAS. I sent Mr. Stanford the phone number this morning but thought you might need it in the future. David Becker's direct number is (202) 974-1610.

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APP000172

EXHIBIT KVT-16

From: yms59@yahoo.com
Sent: Tuesday, January 20, 2009 2:39 PM
To: Davis, James
Subject: Fw: counsel - SEC

FYI

-----Original Message-----

From: Mitchell Delk
To: Yms59@yahoo.com
Sent: Jan 20, 2009 8:57 AM
Subject: counsel - SEC

I think the best enforcement-related counsel is Bill McLucus. He headed the Enforcement Division for almost a decade. He now practices at Wilmer Cutler Hale Dorr. His phone number is 202-663-6000. I can make other suggestions, but no one is better than Bill. Hope this is helpful.

Sent via BlackBerry by AT&T

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APP000174

EXHIBIT KVT-17

3. Defendants object to the definition of “and” and “or” and additional and similar verbiage to the extent that same are intended to expand the reach of Plaintiffs’ Requests improperly.

4. Defendants object to the definition of “person” and “you” and “your” in that such definitions improperly include in their description attorneys and therefore purport to request communications which are otherwise privileged.

5. Defendants object to the purported service date of May 28, 2014, as same is erroneous in that service was not had until June 17, 2014.

II.

RESPONSES TO INTERROGATORIES

INTERROGATORY NO. 1: Identify all parties with knowledge of facts relevant to the Plaintiffs’ claims or Your defenses and state the nature and substance of each party’s knowledge.

RESPONSE: The following individuals are believed to have knowledge of facts relevant to Plaintiffs’ claims and/or defenses asserted herein:

Yolanda Suarez. Ms. Suarez served as Chief of Staff to some of the Stanford Parties and she is believed to have knowledge of the types of services requested by Stanford Parties to be performed by BBG, the benefits arising from the provision of such services, the value of the services and the good faith with which BBG carried out its assignments, among other things.

Jim Miller. Mr. Miller was an attorney with the law firm of Hunton & Williams who worked with BBG in providing governmental relations and related work to the Stanford Parties, and Mr. Miller is believed to have knowledge of the benefits received by the Stanford Parties from work performed by BBG as well as BBG value of the contribution to what it viewed were legitimate activities of the Stanford Parties.

Ben Barnes. Mr. Barnes is a limited partner in BBG who participated with other employees of BBG in providing services to the Stanford Parties, and Mr. Barnes is expected to have knowledge of the types of services rendered, the conditions of BBG’s employment by the Stanford Parties, the benefits rendered by the work done by BBG and the value of such.

Scott Reed, Mitch Delk, John B. Raffaelli and Jeffrey Forbes. Each of these gentlemen, or their respective companies, were engaged from time-to-time as consultants to either perform work directly for the Stanford Parties or to perform such work through the auspices of BBG.

Each of these gentlemen is believed to be aware of the value and benefits conferred by their organization's work, that such work was conducted in good faith and for legitimate purposes, and that payments for any such work constituted equivalent value or greater for the ultimate services that were rendered.

Jim Davis. Mr. Davis served as the Chief Financial Officer for the Stanford Parties and had contact with BBG representatives from time-to-time. Mr. Davis is believed to have knowledge of services rendered by BBG, benefits conferred thereby and that services were of equivalent value to payments that were made.

Kent Caperton, Esq. Mr. Caperton is employed by BBG and over time had contact with various persons, including representatives of the Stanford Parties, relative to work being requested by the Stanford Parties or being performed by BBG. Mr. Caperton is believed to be familiar with the types of services rendered, the benefits conferred by the performance of such services and the value thereof.

Additional parties, both individual and corporate (or other entity) are identified in documents previously made available to the Receiver and to the Investors Committee, both through counsel, to which reference is made.

INTERROGATORY NO. 2: Identify each payment You received from the Stanford Parties by stating (i) the date of the payment, (ii) the amount of the payment, (iii) the reason for the payment, and (iv) the entity making the payment and the entity receiving the payment.

RESPONSE: The answers to the subparts of this Interrogatory may be determined by examining BBG business records, produced under cover letter of March 18, 2013 to Plaintiffs' counsel, and the burden of ascertaining the answer hereto will be substantially the same for either party. Specifically, reference is made to previously produced documents within Bates stamped range beginning BBG 004627 through and including BBG 004966, among which documents are numerous invoices, evidence of payment and other matters inquired about.

INTERROGATORY NO. 3: Identify and describe the "consulting services" You provided to the Stanford Parties as alleged in paragraph 70 of the Answer [Doc. 35].

RESPONSE: BBG provided the following "consulting services" to the Stanford Parties, among other services:

1. Interpreted global political developments and their impact on global capital markets.

2. Interpreted global political developments and their impact on American corporations doing business in a global marketplace.
3. Initiated due diligence exercise that was conducted by the former general counsel to the Democratic National Committee regarding the reputation of corporations and its potential impact on political parties and elected officials accepting campaign contributions.
4. Provided counsel on the risks and rewards of locating a global capital markets enterprise in the U.S. Virgin Islands.
5. Provided counsel and strategy to expand the global awareness of the Antigua 20//20 Cricket Tournament.
6. Provided analysis and predictions of the 2008 Democratic Presidential primary and its impact on global capital markets strategies.
7. Predicted the 2008 Presidential election outcome and its impact on global capital market strategies.
8. Predicted the 2008 Congressional elections and their impact on global capital market strategies.
9. Predicted the 2008 Congressional elections and their impact on U.S. policy relating to the Caribbean region.
10. Predicted the 2008 Congressional elections and their impact on U.S. tax policy relating to companies residing in the U.S. Virgin Islands.
11. Provided analysis and counsel on legislative changes to U.S. tax policy relating to companies residing in the U.S. Virgin Islands to ensure the underlying policy reflects today's global business environment.
12. Developed legislative strategy to effectuate desired legislative changes to U.S. tax policy relating to companies residing in the U.S. Virgin Islands, specifically the issue of what income can be sourced to resident corporate parent operating in the territories.
13. Initiated review of campaign finance issues relating to the Antigua national election.
14. Participated in and represented the corporate interest at various Democratic Governors Association events in the U.S. Virgin Islands to ensure the underlying policy reflects current global business environment.

INTERROGATORY NO. 4: Identify each of the “various consultants and lobbyists” referred to in paragraph 71 of the Answer [Doc. 35].

RESPONSE: Among others, BBG engaged the following individuals or entities at the request of and on behalf of The Stanford Parties: Chesapeake Enterprise, Inc.; Capital Council, LLC; Coffin Forbes Williams LLC; and Robert Mitchell Delk.

INTERROGATORY NO. 5: Identify and describe all work performed by each of the “various consultants and lobbyists” identified in Your answer to the previous interrogatory.

RESPONSE: The answer to this Interrogatory may be determined by examining the business records identified in Response to Interrogatory No. 2, among other records previously produced to counsel for both the Receiver and Investors Committee Council, and the burden of ascertaining the answer hereto will be substantially the same for either party. Therefore, references made to such documents.

INTERROGATORY NO. 6: Describe any investigation, research, background check, due diligence, or similar inquiry into the nature and operations of the Stanford Parties that You conducted at any time, including (i) the date of such investigation, (ii) the reason for the investigation, (iii) the results of the investigation, (iv) the names of the person(s) involved in the investigation, and (v) the documents related to the investigation.

RESPONSE: No formal investigation was conducted regarding the nature and operations of The Stanford Parties other than an initial call(s) to individuals who had dealt with Allan Stanford or one or more of The Stanford Parties, and who attested to the bona fides of the Stanford Parties. Such call(s) was made prior to the undertaking of any engagement on behalf of The Stanford Parties and was simply to gain more knowledge of Mr. Stanford and many of his entities prior to undertaking substantial work.

INTERROGATORY NO. 7: State all facts that support Your affirmative defense that you acted at all relevant times in “good faith” that You did not know, and/or that you objectively had no reason to know, that the Stanford Parties were operating a Ponzi scheme.

RESPONSE: The Stanford Parties appeared to be, from the perspective of these Defendants, substantial business entities engaged in banking, airlines and other legitimate industries. They had high visibility, among other things being involved as high profile sponsors of international cricket tournaments, professional golfing activities and were in the midst of revitalizing locations

in the Caribbean. In addition, the persons with whom BBG dealt were, until the very end of the Stanford Parties activities, competent individuals from all appearances. It was not until the Receivership action against Stanford and his various entities became known that the concept of a "Ponzi scheme" even appeared to be a credible assertion.

INTERROGATORY NO. 8: State the date on which You first learned that the Stanford Parties had been or were being investigated by any legal or regulatory agency.

RESPONSE: It was sometime in late 2008 or early 2009 that BBG first began hearing rumors about an investigation by a regulatory agency.

INTERROGATORY NO. 9: Identify any documents or communications, including oral communications, in which You expressed any doubt, reservation, concern, mistrust, or skepticism about the legitimacy of the Stanford Parties' operations or the veracity of any representation made by the Stanford Parties.

RESPONSE: Because of the volume of documents previously produced, Defendants believe that the response to this Interrogatory may be determined by examining the BBG business records previously produced to counsel for the Receiver and to the Investor's Committee, to which reference is made. In addition, such documents are available for reproduction for a third time to Plaintiffs' counsel.

INTERROGATORY NO. 10: State all facts that support Your affirmative defense that You provided "reasonably equivalent value" in exchange for the payments You received from the Stanford Parties.

RESPONSE: At all times, in connection with services provided to The Stanford Parties, any such charges were for services provided at market rates, for legitimate purposes, and in accordance with charges rendered for services of the nature provided to The Stanford Parties, for clients involved in complex associated business and governmental relations activities.

Respectfully submitted,

WINSTEAD PC

By: 

Jay J. Madrid
Texas Bar No. 12802000
Kristen L. Sherwin
Texas Bar No. 24043918
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Dallas, Texas 75201
(214) 745-5400 (phone)
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-- AND --

Gary E. Zausmer
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gzausmer@winstead.com

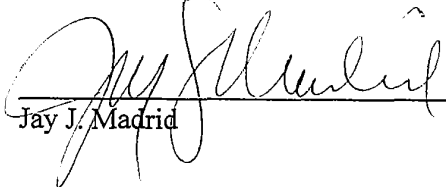
ATTORNEYS FOR DEFENDANTS BEN
BARNES & BEN BARNES GROUP, L.P.

CERTIFICATE OF SERVICE

I hereby certify that on July 17, 2014, the foregoing Responses to Interrogatories were sent to all counsel of record via email and Certified Mail, Return Receipt requested.

Peter D. Morgenstern, Esq.
Joshua E. Abraham, Esq.
Butzel Long
230 Park Avenue
Suite 850
New York, New York 10169

David T. Arlington, Esq.
Scott D. Powers, Esq.
Kevin M. Sadler, Esq.
Baker Botts L.L.P.
98 San Jacinto Blvd.
Suite 1500
Austin, Texas 78702-4039


Jay J. Madrid

VERIFICATION

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BEFORE ME, the undersigned notary public, on this day personally appeared Ben Barnes Group in its corporate capacity and being by me duly sworn on its oath did depose and say:

Ben Barnes, being first duly sworn, says that he is the registered agent and officer of Entrecorp Management, Inc., General Partner of Ben Barnes Group, L.P. and that he executed this verification in such capacity. I have read the Responses to Interrogatories served on Ben Barnes Group, L.P., and the factual statements contained therein are, to the best of my knowledge and belief true and correct.

Ben Barnes Group, L.P.
By: Entrecorp Management, Inc.
Its: General Partner

By: *Ben Barnes*
Ben Barnes, Its Registered Agent

SUBSCRIBED AND SWORN TO before me by the said Ben Barnes, on the 16th day of July 2014, which witness my hand and official seal.



Kerri Renouf
Notary Public in and for the State of Texas

My Commission Expires:

3/2/15

VERIFICATION

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BEFORE ME, the undersigned notary public, on this day personally appeared Ben Barnes, Individually, who, being by me duly sworn on his oath did depose and say:

My name is Ben Barnes. I have read the Responses to Interrogatories served by Plaintiffs and the factual statements contained therein are, to the best of my knowledge and belief, true and correct.

Ben Barnes
Ben Barnes

SUBSCRIBED AND SWORN TO before me by the said Ben Barnes, on the 16th day of July 2014, which witness my hand and official seal.



Kerri Renouf
Notary Public in and for the State of Texas

My Commission Expires:

3/2/15

EXHIBIT KVT-18

From: Loumiet, Carlos [cloumiet@hunton.com]
Sent: Saturday, April 09, 2005 12:58 PM
To: Suarez, Yolanda
Subject: Re: It was great seeing you yesterday. Please keep this e-mail strictly confidential.

I couldn't agree more, and as I already indicated, I liked Ben and his ideas.

Un beso,

Carlos Loumiet
Hunton & Williams LLP - Miami

Sent from my BlackBerry Wireless Handheld

-----Original Message-----

From: Suarez, Yolanda <ysuarez@stanfordeagle.com>
To: Loumiet, Carlos <cloumiet@hunton.com>
Sent: Fri Apr 08 19:01:07 2005
Subject: RE: It was great seeing you yesterday. Please keep this e-mail strictly confidential.

Carlos,

I fully anticipated that Jim would be working on this, but his schedule was not very flexible. I do want Jim fully on board, but we do need a team on this. YS

From: Loumiet, Carlos [mailto:cloumiet@hunton.com]
Sent: Fri 4/8/2005 1:51 PM
To: Suarez, Yolanda
Subject: It was great seeing you yesterday. Please keep this e-mail strictly confidential.

I believe I already have the economist - a highly-recommended, Cuban Wharton PhD who is available to undertake the project immediately, and is an acknowledged expert on Latin America generally. I spoke to him today. When I get his info, I'll send it on to you.

It was great meeting Ben Barnes yesterday, after hearing about him for so long and seeing him on 60 Minutes last Fall trying to help derail the Bush re-election campaign. I liked him a lot and will thoroughly enjoy working with him, but as your old friend and lawyer, I have to insert a cautionary word - my sources tell me that as a result of his notorious, nationally-televised public "confession" last September about how he'd gotten Dubya into the Texas National Guard and how much he regretted doing so, it might be advisable in going before the Republican-controlled Administration, House and Senate to ask for a legislative favor, to put a staunch Republican face on it as well.

Jim Miller, who's Andy Card's good friend from childhood, whose dad was a long-time Republican US Senator from Iowa, who grew up with the Bushes, who is very close to Grassley and his California counterpart at Ways and Means in the House (the name escapes me right now), who actually worked on tax planning issues at Treasury under Bush 41, and who lobbies frequently on other tax issues before Congress, would seem to be a good complement.

Un beso,

Loumiet
Hunton & Williams

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Miami, FL 33131
Direct: (305) 810-2575
Fax: (305) 810-2460
E-Mail: cloumiet@hunton.com

200 Park Avenue
New York, New York 10166-0136
Direct: (212) 309-1330
Fax: (305) 810-1624
www.hunton.com

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EXHIBIT KVT-19

Proposed Legislative Initiative
Stanford Financial Group
prepared by
Ben Barnes Group

Issue Overview

As a global network of affiliated companies that has become a powerful resource of financial services throughout the world, Stanford Financial recognizes the necessity of economic stability in the Caribbean and its connection to private investment. Therefore, the company is seeking the passage of legislation to encourage Caribbean investment through tax policy.

A team of professionals has been assembled to assist with this effort (see attached Campaign Team information), and proposes a legislative strategy involving three areas:

- **Legislative Affairs**
- **Third Party Advocates**
- **Media Relations** *(only as necessary)*

Legislative Affairs

The Stanford campaign team has deep experience with a majority of the leadership who oversee foreign relations, banking and finance, and appropriations issues. In addition, several campaign team members bring long-standing, Texas-based ties with both the House and Senate leaders. We will approach both House and Senate Leaders, as their recommendations may dictate the direction in legislative strategy for this measure. Initial thoughts are that the Budget Reconciliation Act may be the most appropriate vehicle to attain our goal. To begin, we will organize priority meetings with key members of the following committees:

- Senate Finance
- Senate Banking
- Senate Appropriations
- Senate Special Committee on Foreign Affairs
- House Ways & Means
- House International Relations
- House Appropriations
- House Rules
- House Caribbean Caucus
- DSCC
- NRCC

In approaching congressional representatives, the government relations team will form a rationale using these key message points (a more detailed rationale will be provided in a separate document):

- *A stable and economically viable Caribbean region is important for United States national security; the Caribbean region is our "third border."*
- *The Caribbean region faces daunting economic and related challenges, and unfriendly governments are attempting to exploit its economic stresses.*
- *The United States has a long-standing commitment to economic development and political stability in the Caribbean region.*
- *As a historical perspective, private investment incentives offered by the United States have spurred economic activity in the U.S. Virgin Islands.*
- *Expansion of the USVI tax-incentive model to include the Caribbean region would bolster of United States assistance efforts.*

Third Party Advocates

In order to both compliment and protect the legislative outreach efforts, we propose to proactively engage and educate third party groups with interests in this matter. For example, we will contact organizational and/or legal representatives of Caribbean-Central American Action, the Inter-American Economic Council, and the U.S. Virgin Islands to inform them of our effort. This will enable us to engage these groups as third-party allies, and neutralize any potential adversaries.

Media Relations

While we will not engage in proactively approaching the media (success in this matter does not require a media campaign), we recommend preparing a plan in case the media begins to inquire. The plan would include the following information:

- the identification of a single media spokesperson for this program
- primary message points to be adhered to by the spokesperson;
- a white paper for distribution to reporters; and
- the identification of trusted allies as references of support.

Timeline

It is recognized that time is of the essence because it is our understanding that the House is to pass its version of the Budget Recommendation Act in September. Additionally, there are already a lot of provisions in the budget, thus leaders need to be well-educated on our proposal. Therefore, it is essential that our work on these provisions be incorporated early the process.

We appreciate the opportunity to work with Stanford Financial in its goal to enable legislation allowing investment in the Caribbean, and look forward to further discussing the legislative strategy we propose to achieve it.

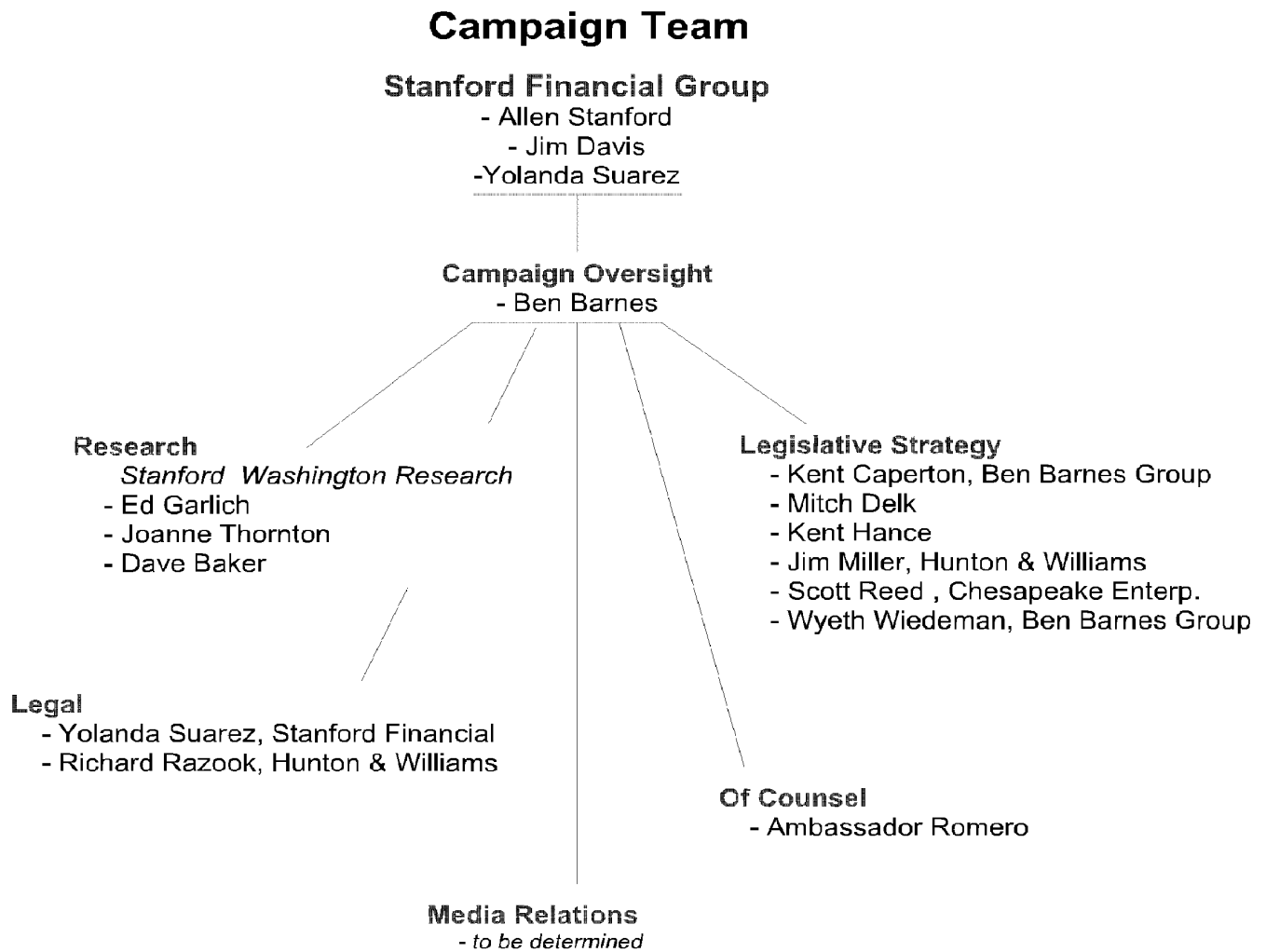


EXHIBIT KVT-20

From: Loumiet, Carlos [cloumiet@hunton.com]
Sent: Tuesday, June 21, 2005 10:47 PM
To: Miller, James; Razook, Richard; Ben Barnes (E-mail); 'Marjorie Roberts (E-mail)' (E-mail); 'Mitchell Delk' (E-mail); May, Richard; Suarez, Yolanda
Cc: Ramsey, Katherine; Nichols, Amanda
Subject: RE: Views on Section 937 Overhaul

Jim, who's developing the national security argument?

> -----Original Message-----

> From: Miller, James
> Sent: Tuesday, June 21, 2005 11:37 AM
> To: Razook, Richard; 'Ben Barnes (E-mail)'; Loumiet, Carlos; 'Marjorie Roberts (E-mail)' (E-mail); 'Mitchell Delk' (E-mail); May, Richard; 'Yolanda Suarez (E-mail)'
> Cc: Ramsey, Katherine; Nichols, Amanda
> Subject: Views on Section 937 Overhaul

>

>

>

> Group:

>

> As we look at a "Big Picture" strategy toward a goal of complete overhaul of section 937, I wanted to throw out a few tactical considerations on which I believe we all agree.

>

> First, I continue to believe that using the setting of a House Ways and Means Committee -- Senate Finance Committee conference is the best route to achieve our objectives. It involves only a few Members, two of whom (Baucus and Rangel) already are intrigued by the idea of overhaul. It does not require full blown committee markups and the attendant press coverage which encourages the Members to speak for the cameras. We do not need to invite press attention. There will be enough of that after a bill is passed and sent to the President.

>

> Second, to utilize the conference setting, it will be important to be "germane" to the conference. That is where Winston & Strawn comes in. They will continue to push incremental amendments to section 937, some of which might be in a House or Senate bill. These incremental changes will be the hook to our complete overhaul. We will need to stay close to Winston & Strawn and their efforts without revealing our hand.

>

> Third, the Administration is very likely to play a role at conference (although this is not always the case). I believe that the Administration will be more likely to go along with an overhaul approach that takes place in the conference setting than one which takes place in full committee markups. We could even encourage Baucus and Rangel (hopefully Hatch) to invite into the conference Administration national and homeland security officials to stress the need for the overhaul.

>

> These are just a few thoughts with regard to tactics that we should keep in mind as we go forward. Our focus now, of course, needs to be on developing as soon as possible our national security argument.

>

> Jim Miller

EXHIBIT KVT-21

From: Razook, Richard [rrazook@hunton.com]
Sent: Thursday, July 07, 2005 1:44 PM
To: Stanford, Allen; Ben Barnes (E-mail); Carlos Loumiet (E-mail); James Miller (E-mail); 'Marjorie Roberts (E-mail) ' (E-mail); 'Mitchell Delk' (E-mail); Richard May (E-mail); Suarez, Yolanda
Subject: New USVI Tax Legislation

Importance: High

Good moring.

At the conclusion of the meeting yesterday in Washington, Ben asked for us to compile and deliver to him before noon tomorrow a package consisting of (i) an executive summary of our position, (ii) a national security presentation and (iii) the proposed new tax statute and explanation.

I will revise and send to you the tax statute and the explanation by late today. This new version will be substantionally the same as the one you received on Tuesday; however, certain technical points will be clarified. It is intended that this next draft will be suitable for presentation to staff and by early next week Jim Miller and I will be meeting with Russ Sullivan again, this time based on this new version.

In the meantime, if any of you have questions or comments regarding the initial draft of the statute and explanation which you already have, please let me know as soon as possible so that I can respond appropriately in connection with the next draft.

Thank you.

Richard J. Razook
Hunton & Williams LLP
Mellon Financial Center
1111 Brickell Avenue
Suite 2500
Miami, Florida 33131
Tel: 305-810-2500
Fax: 305-810-1672

> To ensure compliance with requirements imposed by the IRS on all attorneys who advise clients on federal tax issues, we are required to inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein. This advice may not be forwarded without our express written consent.

>

EXHIBIT KVT-22

From: Baker, David [dbaker@StanfordEagle.com]
Sent: Friday, July 29, 2005 5:05 PM
To: Stanford, Allen; Davis, James; Suarez, Yolanda;
ben@benbarnesgroup.com; Pthomasson@benbarnesgroup.com;
mitchelldelk@comcast.net; Jfmiller@hunton.com; rrazook@hunton.com;
Garlich, Edward; sreed@chesenterp.com; kcaperton@pstrategies.com; Baker,
David; peteromero@experioradvisory.com
Subject: Current Cuba Picture

Thought this might be useful as we strengthen the theme of national security in our Caribbean efforts. Regards, Gen. Baker

David E. Baker

Senior Vice President

Stanford Washington Research Group

Member NASD/SIPC

202.295.2345

Summary

Cuban leader Fidel Castro is tightening the screws of political repression and moving to reassert state control over all economic activities. These actions are part of Castro's strategy to strengthen the revolution ahead of his death to ensure that his younger brother Raul can take power after Fidel dies. Raul will be only a transition figure, however, and will be forced to make concessions to other senior figures in the Cuban power structure to assure the revolution's continuity.

Analysis

Cuban leader Fidel Castro warned July 26, on the 52nd anniversary of the start of the Cuban revolution, that he would not tolerate "acts of treason" aimed at destabilizing the country. Castro's remarks -- made at a tightly controlled anniversary celebration involving only his closest associates at the Karl Marx Theater in Havana -- came amid a renewed wave of repression against pro-democracy dissidents that he dismissed as "paid U.S. mercenaries."

Public discontent in Cuba is at its highest level in more than a decade. Many Cubans are increasingly unhappy about chronic shortages of electricity, water, food, housing and health care. Dissident leader Martha Beatriz Roque told The Miami Herald on July 26 that opposition groups across the island are ready to "take to the streets" in massive protests. "I see the strong possibility of civil unrest," she warned.

Castro is moving forcefully to prevent major protests from erupting. During the past month, he has doubled the presence of police patrols in Havana and other major cities. Sources with links to dissident leaders on the island said July 28 that Cuba's Interior Ministry is implementing aggressive surveillance and intimidation tactics against dissident leaders in an effort to dissuade them from initiating public protests against the government. Castro also has deployed thousands of loyalists, many of them armed with clubs, to disrupt anti-government demonstrations. Members of these revolutionary worker brigades, as they are called, already clashed twice in July with dissident groups in Havana that tried to hold public demonstrations. More than 50 dissidents have been detained in recent weeks. As of July 28, at least 16 remained behind bars, according to a

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foreign source in Havana.

There is a significant possibility that Havana could experience some public protests in August, possibly around Antonio Maceo Plaza and La Punta Plaza, an area near the waterfront where anti-government protests involving thousands of Cubans last occurred Aug. 5, 1994. This area of Havana also is popular with foreign visitors. Castro responded to those protests by allowing 36,000 Cubans to flee the island on fragile homemade rafts. However, if similar protests erupt in Havana this August, Castro likely will respond violently in an effort to crush the seeds of future civil revolt.

Castro likely would resort to violent repression rather than allow another major exodus of Cubans by sea for two reasons. One, an aggressive show of force against dissidents would dispel notions that the Cuban regime is weakening. Also, the U.S. government has made it clear to Havana that another massive exodus by sea would be considered a hostile act against the United States and that it would quickly mount a naval blockade to stop it.

The 78-year-old Castro, whose health is visibly failing, is making preparations to ensure the revolution's survival after his death. Castro's designated heir is his younger brother Raul, who also is in his 70s. Fidel's recent actions to recentralize economic activities in Cuba, suppress political dissidents and build strong strategic linkages with Venezuela and China form part of his plan to tighten government control over the populace. Castro likely feels that tighter economic and political controls are necessary because Raul does not have the charisma and leadership capabilities to hold the revolution together once his older brother dies.

On the economic front, Castro is gradually eliminating licenses that allow individual Cubans to engage in private enterprise. The types of private economic activities licensed by the regime have been reduced in 2005 from 170 to 130, and the number of licensed self-employed Cubans shrunk to 140,000 at the start of 2005 compared with more than 240,000 in 1990. Foreign investors also are being pushed out of Cuba. Only 300 mixed ventures between the Cuban state and foreign investors are still operating in the metallurgical, tourism, energy and tobacco industries compared with 700 in 2002. Also, more than half of the 800 foreign companies that operated under Cuban free-trade-zone regulations have shut down and left the country.

Castro's strategic alliance with Venezuelan President Hugo Chavez is vital to his recentralization of economic activity in Cuba. Venezuela currently supplies Cuba about 90,000 barrels per day of crude oil at preferential prices and easy payment terms. In terms of the value of the crude oil it receives from Venezuela, and other commercial agreements such as Venezuelan payments for the "services" in Venezuela of more than 35,000 Cuban nationals, Castro's alliance with Chavez is worth more than \$2 billion a year in foreign exchange for the Cuban regime. Moreover, the economic value to Cuba of the Castro-Chavez alliance likely will increase even more over the next couple of years. Petroleos de Venezuela recently installed its Central American and Caribbean region oil marketing office in Havana. The Venezuelan state-owned Industrial Bank of Venezuela and Guayana Development Corp., a major exporter of iron and steel, also opened commercial offices in Havana.

Castro's drive to recentralize control of economic activities is intended to strengthen the state's political control over the population, and make it easier for younger brother Raul to assume the presidency. Some U.S. government officials and anti-Castro Cuban exile leaders in the United States believe that Castro's revolution will collapse with his death. Raul Castro likely will be unable to keep the revolution afloat and significant economic and political changes can be expected after Castro dies. Due to his age and perceived weakness as a leader, however, Raul would be a short-lived transition figure -- though an immediate collapse of the revolution is unlikely. Instead, political realities likely would force Raul to make power-sharing concessions to other key figures in the Cuban government -- Vice President Carlos Lage, Vice President Gen. Abelardo Colome Ibarra, Foreign Minister Felipe Perez Roque and others-- to ensure continuity in the revolution.

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EXHIBIT KVT-23

From: Susan Martin [smartin@benbarnesgroup.com]
Sent: Tuesday, September 27, 2005 4:42 PM
To: Stanford, Allen
Subject: America's Third Border - Documents From Ben Barnes

Attachments: America's Third Border 9-26-05.doc; AmericasThirdborder9-26-05.ppt

Allen –

Here is the work of the economists and writers who were supervised by Mitch Delk, Scott Reed and Kent Caperton. We are pleased with the final product and hope you share that view.

Best regards,

Ben

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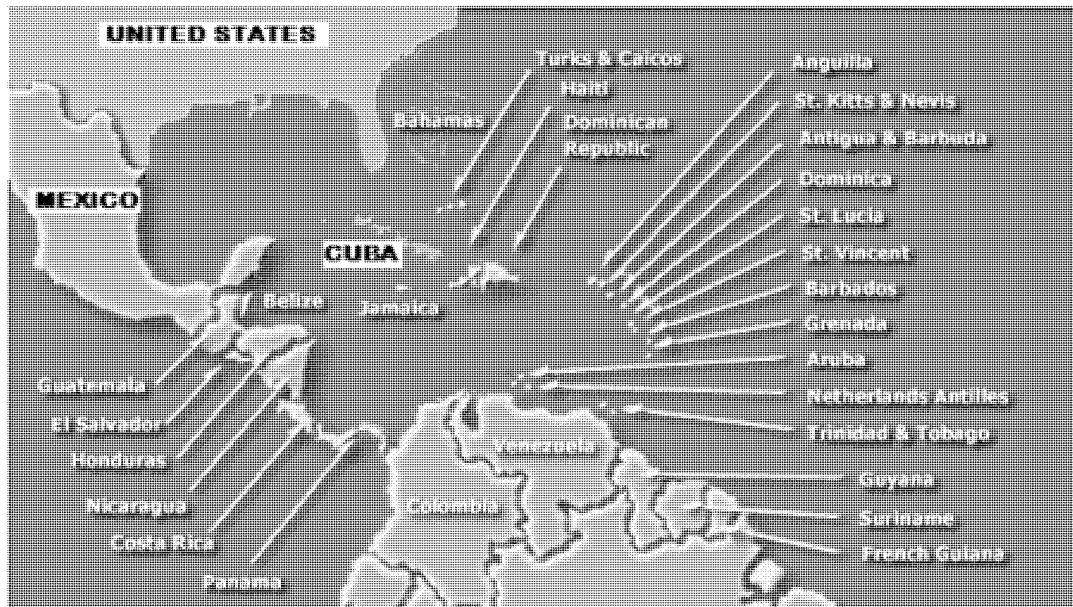
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America's Third Border

*Protecting National Security
By Promoting Private Investment in the Caribbean*



Prepared for the Stanford Washington Research Group
September 26, 2005

America's Third Border

Protecting National Security by Promoting Private Investment in the Caribbean

Executive Summary

Because of the Caribbean region's geographic proximity to the United States, its political and economic stability is essential for our national security. The area could serve as a launching pad for alien smuggling, drug trafficking, and terrorist activity. In the aftermath of the September 11, 2001 attacks, the United States has taken measures to strengthen our "first border" with Canada and "second border" with Mexico. Less attention has been focused on the region President Bush has called America's "third border" with the nations of the Caribbean.

Most Caribbean countries, historically, have shared our democratic values and had strong ties to the United States. Collectively, the 24 nations benefiting from the Caribbean Basin Initiative -- a U.S. program of trade preferences designed to promote investment and economic development in the Caribbean and Central America -- were America's 8th largest export destination and 12th largest source of imports in 2004. The United States has been a significant source of private foreign investment in the region and also provides a limited amount of direct government aid.

Caribbean Basin countries have performed reasonably well based on a number of economic measures, though some have fared much better than others. Moreover, a myriad of challenges threatens the region's future prosperity, including diminished productivity growth, soaring public debt, extensive poverty, youth unemployment, increasing crime and drug trade, and exposure to hurricanes and other natural disasters. Already there is evidence that performance is slowing down.

Unfriendly governments are seeking to exploit these vulnerabilities. Venezuela's President Hugo Chávez buys influence with subsidized oil sales and, in collaboration with Cuban leader Fidel Castro, promotes a "Bolivarian Alternative" to U.S. regional trade initiatives. China is significantly increasing its presence in the region, targeting nations that do not recognize Taiwan.

As the United States attempts to foster robust democracies around the world, we also should take action to strengthen our allies in our backyard. While providing direct aid could be prohibitive, strong precedents exist for providing incentives to generate greater U.S. private investment in the region. In particular, the tax incentives provided for investments in the U.S. Virgin Islands by USVI companies have resulted in significant investment in the territory. Extending similar incentives to investments by USVI companies in other Caribbean nations would bolster economic growth and democracy in the region -- and reduce security risks to the United States -- in the years ahead.

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*"If you're living in a neighborhood,
you want your neighbors doing well ...
and that's in our national security interests."*

President George W. Bush,
July 21, 2005

1. America's security depends on having economically strong democracies as neighbors.

Because of its geographic proximity to the United States, a politically stable and economically viable Caribbean region is essential for our national security. In the aftermath of the September 11, 2001 terrorist attacks, the United States has taken measures to strengthen our "first border" with Canada and "second border" with Mexico. Less attention has been focused on the maritime border we share with the nations of the Caribbean, a region President Bush has called America's "third border."¹

Democratic Traditions

The Caribbean region consists of a collection of relatively small independent islands, dependent territories, and sovereign states (see Appendix 1). Their small size, isolation from markets, susceptibility to natural disasters, and general ecological vulnerability present a special case for development, according to the U.S. Agency for International Development.²

Most Caribbean nations -- with the exception of Cuba -- are allied with the United States and have democratic traditions, though some of these democracies, particularly Haiti's, are more fragile. Caribbean nations typically have regular elections, but they are not immune from threats to their political stability, as evidenced by attempted coups over the years.³ Caribbean economies, aside from Haiti's, have performed reasonably well but are vulnerable to challenges including slowing economic growth, massive public debt, and extensive poverty.

Close to Home

The third border is longer than the one we share with Mexico, more porous, and potentially more difficult to secure. A plane hijacked from the northern Caribbean islands could reach Florida in less than an hour. False passports and visas issued in Caribbean countries could enable a terrorist to enter the United States.

¹ The White House, Fact Sheet: Caribbean Third Border Initiative, April 21, 2001, www.whitehouse.gov/news/releases/2001/04/20010423-5.html.

² U.S. Agency for International Development, Fiscal Year 2006 Budget Summary, Complete U.S. AID/Caribbean Regional Program, www.usaid.gov/policy/budget/cbj2006/lac/pdf/crp_complete05.pdf.

³ "Caribbean Region: Issues in U.S. Relations," Congressional Research Service Report for Congress, May 25, 2005, www.fas.org/sgp/crs/row/RL32160.pdf.

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The law enforcement capabilities of Caribbean nations are strained by sophisticated threats to their security. Crime and violence have increased across the region, and drug trafficking is a significant concern. President Bush designated the Bahamas, Dominican Republic, Haiti, and Jamaica as major drug producing or transit countries in September 2004.⁴

Even before the terrorist attacks on the United States, the Administration announced a “Third Border Initiative,” highlighting the threat that illegal drug trafficking, migrant smuggling, and financial crime pose to U.S. and regional security interests. Part of the funding was targeted for law enforcement cooperation, such as anti-money laundering, professional development of police and prosecutors, and anti-corruption training and assistance throughout the Caribbean.⁵

The nearby Panama Canal links the Atlantic and Pacific oceans. The Canal is considered a major “choke point” for oil tankers and other commercial vessels, where traffic converges and could be halted. The ability to cross it safely is a critical link in global trading, especially for the United States, which is the dominant country of origin for products transiting the Panama Canal, and the largest destination as well.⁶

In Our National Interest

A Caribbean region that remains economically strong and improves law enforcement will support multiple U.S. policy objectives. In addition to helping to combat potential terrorist threats, it will support our policies to “promote a more secure, stable region, generate expanded markets for U.S. goods and services, ensure safe and secure destinations for U.S. tourists and investments, ensure respect for the rule of law, retard the transmission of HIV/AIDS, and strengthen respect for democratic values.”⁷

⁴ “Caribbean Region: Issues in U.S. Relations,” Congressional Research Service Report for Congress, May 25, 2005, www.fas.org/sgp/crs/row/RL32160.pdf.

⁵ The White House, Fact Sheet: Caribbean Third Border Initiative, April 21, 2001, www.whitehouse.gov/news/releases/2001/04/20010423-5.html.

⁶ World Oil Transit Chokepoints, Energy Information Administration, April 2004, www.eia.doe.gov/emeu/cabs/choke.html.

⁷ Fiscal Year 2006 Budget Request for the Eastern Caribbean countries of Antigua and Barbuda, Barbados, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines, www.fas.org/asmp/profiles/aid/fy2006/CBJWHemisphere.pdf.

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“The CBI remains one of the best examples of the positive power of trade... By opening its market to producers in the Caribbean and Central America, the United States is supporting the development of more prosperous economies, and stronger democracies, among our closest neighbors.”

Robert Zoellick
U.S Trade Representative
December 31, 2001

2. The United States has a history of trade, aid, and private investment in the Caribbean Basin.

The United States has long supported economic development in the Caribbean through both government action and incentives for private initiatives. A key element of government efforts has been the establishment of trade preference programs collectively known as the Caribbean Basin Initiative (CBI).⁸ Twenty-four countries are eligible for CBI benefits.⁹

Trade Preferences Benefit the United States

Beginning in 1983, U.S. trade preference programs have provided duty-free access to the U.S. market for an increasingly broad array of manufactured products from Central American and Caribbean countries. In 2002, 74 percent of imports from the region entered the United States duty-free.¹⁰

In conjunction with the liberalized trade policies of the Caribbean countries, the CBI has helped these nations diversify their exports beyond traditional products such as coffee, bananas, and mineral fuel. More than half of CBI exports in 2002 were manufactured

⁸ The Caribbean Basin Initiative refers to the Caribbean Basin Economic Recovery Act of 1983 (CBERA), the Caribbean Basin Economic Recovery Expansion Act of 1990 (CBERA Expansion Act), and the U.S.-Caribbean Basin Trade Partnership Act of 2000 (CBTPA), collectively. Caribbean Basin Initiative, Frequently Asked Questions, www.mac.doc.gov/CBI/FAQs/faqcbi-all.htm. These earlier measures were reinforced by the Trade Act of 2002, which harmonized apparel eligibility criteria among the Andean Trade Preferences Act, the African Growth and Opportunity Act, and the CBTPA, and increased caps for knit apparel articles and t-shirts from the Caribbean Basin. Fifth Report to Congress on the Operation of the Caribbean Basin Economic Recovery Act, Office of the United States Trade Representative, December 31, 2003,

www.ustr.gov/assets/Trade_Development/Preference_Programs/CBI/asset_upload_file160_7711.pdf.

⁹ The 24 countries that benefit from the CBI program and may potentially benefit from CBTPA are Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, British Virgin Islands, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Montserrat, Netherlands Antilles, Nicaragua, Panama, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Trinidad and Tobago. Caribbean Basin Initiative, Office of the United States Trade Representative, www.ustr.gov/Trade_Development/Preference_Programs/CBI/Section_Index.html.

¹⁰ Trade Facts: Adding Dominican Republic to CAFTA, Office of the United States Trade Representative, March 15, 2004,

www.ustr.gov/assets/Document_Library/Fact_Sheets/2004/asset_upload_file332_5686.pdf.

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products, such as apparel and electrical and non-electrical machinery.¹¹ Aided by CBI preferences, U.S. imports from 15 independent Caribbean nations (excluding Cuba) totaled more than \$12 billion in 2004.¹²

The CBI has proven to have important benefits for the United States as well as the beneficiary countries. U.S. exports to the Caribbean totaled more than \$10 billion in 2004, concentrated in four countries.¹³ Counting all 24 CBI beneficiaries, including Central American countries, U.S. exports totaled \$24.5 billion, making them collectively America's eighth largest export market – a little smaller than South Korea.¹⁴

U.S. engagement with the Caribbean region through the CBI offers an important opportunity to foster the region's active participation in the Free Trade Area of the Americas (FTAA).¹⁵ U.S. policy aims eventually to construct a network of reciprocal free trade relations among all 34 democracies in the Western Hemisphere. The most generous CBI benefits will expire in September 2008 for countries that have not established reciprocal trade agreements with the United States.¹⁶ Though they may have varying interests, all Caribbean nations with the exception of Cuba are participating in FTAA negotiations.¹⁷ In addition, last year the Dominican Republic signed the Central American Free Trade Agreement (CAFTA) with the United States, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.

As the United States has entered into other trade agreements, such as with Andean and African nations, the value of CBI trade preferences has eroded. The loss of trade preferences for key crops such as bananas and sugar has also contributed to decreased economic growth throughout the eastern Caribbean region.¹⁸ Relative benefits to CBI countries are expected to erode further as investors and businesses relocate to Central America to take advantage of CAFTA.

¹¹ Fifth Report to Congress on the Operation of the Caribbean Basin Economic Recovery Act, Office of the United States Trade Representative, December 31, 2003,

www.ustr.gov/assets/Trade_Development/Preference_Programs/CBI/asset_upload_file160_7711.pdf.

¹² "Caribbean Region: Issues in U.S. Relations," Congressional Research Service Report for Congress, May 25, 2005, www.fas.org/sgp/crs/row/RL32160.pdf.

¹³ The Dominican Republic, Trinidad and Tobago, Jamaica, and the Bahamas accounted for 80 percent of U.S. exports to Caribbean nations. "Caribbean Region: Issues in U.S. Relations," Congressional Research Service Report for Congress, May 25, 2005, www.fas.org/sgp/crs/row/RL32160.pdf.

¹⁴ U.S. International Trade Commission, Interactive Tariff and Trade DataWeb, July 2005, <http://dataweb.usitc.gov>.

¹⁵ The 34 democratically elected leaders in the Western Hemisphere committed to the FTAA in December 1994 at the first Summit of the Americas. In 2003, Ministers agreed on a new framework for the FTAA that calls for the creation of a "common set of rights and obligations" applicable to all countries and allows countries to pursue additional commitments through agreements under the umbrella of the FTAA. Free Trade Area of the Americas, Office of NAFTA and Inter-American Affairs, www.mac.doc.gov/ftaa2005/index.html.

¹⁶ Caribbean Basin Initiative, Office of the United States Trade Representative, www.ustr.gov/Trade_Development/Preference_Programs/CBI/Section_Index.html.

¹⁷ "Caribbean Region: Issues in U.S. Relations," Congressional Research Service Report for Congress, May 25, 2005, www.fas.org/sgp/crs/row/RL32160.pdf.

¹⁸ U.S. Agency for International Development, Fiscal Year 2006 Budget Summary, Complete U.S. AID/Caribbean Regional Program, www.usaid.gov/policy/budget/cbj2006/lac/pdf/crp_complete05.pdf.

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Direct U.S. Aid Varies

The United States provides direct foreign assistance to Caribbean nations, but it is concentrated in a few countries and the amounts vary considerably.¹⁹ Over the 1980s, U.S. assistance to the region averaged about \$320 million a year, most of it for the Dominican Republic, Jamaica, and Haiti. In the 1990s, this assistance declined to about \$205 million a year, with Haiti receiving more than half the total. Since 2000, U.S. aid to the region has again increased because of greater HIV/AIDS assistance, assistance in the aftermath of several hurricanes and tropical storms in 2004, and support for the interim government in Haiti.

The Third Border Initiative receives a small amount of funding -- \$6 million in the Administration's budget request for fiscal year 2006. Total military assistance to the region amounted to less than \$60 million during the 1990s.²⁰ Operation Enduring Friendship, a new military assistance program designed to increase maritime security in the region, also is funded on a small scale.

Private Investment Is Crucial

In addition to trade preferences and direct government aid, the U.S. has a history of providing incentives for private development in the region, as is discussed further below. As a result of government incentives and the area's strengths for attracting business, U.S. investors have been a significant source of foreign direct investment in the region. According to the U.N. Economic Commission for Latin America and the Caribbean, the United States has accounted for about one-third of all recent foreign investment there.²¹

A number of factors will make maintaining this strong investment presence both more challenging and more crucial in the years ahead.

¹⁹ "Caribbean Region: Issues in U.S. Relations," Congressional Research Service Report for Congress, May 25, 2005, www.fas.org/sgp/crs/row/RL32160.pdf, for all foreign assistance data.

²⁰ In 2003, the Administration ended military assistance to several nations because they did not sign agreements to exempt Americans from International Criminal Court (ICC) prosecution (known as Article 98 agreements). "Caribbean Region: Issues in U.S. Relations," Congressional Research Service Report for Congress, May 25, 2005, www.fas.org/sgp/crs/row/RL32160.pdf.

²¹ Economic Commission for Latin America and the Caribbean (ECLAC), Foreign Investment in Latin America and the Caribbean -- 2004, March 2005.

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“The Caribbean is at a development crossroads. Decades of reliance on traditional markets, and on trade preferences, have given way to a new reality, where traditional agriculture plays a much smaller role in most economies, and where a much harsher and more competitive international wind blows. In such an environment, business as usual will no longer suffice.”

“A Time To Choose”
2005 World Bank Report

3. Caribbean economies have performed reasonably well, but slower growth and other challenges threaten their future performance.

Caribbean Basin countries have performed reasonably well on a number of economic measures, though some have fared much better than others. The region was hard hit in the wake of the September 11 attacks because of its dependence on tourism. It has since rebounded, but a myriad of challenges threatens the region’s future prosperity. Already there is evidence that economic performance is slowing down.

Caribbean Economies Have Performed Reasonably Well

Overall, macroeconomic performance in the region has been comparable or better than the rest of the emerging market world.²² As has been the case in many emerging economies, inflation has fallen from previous high levels. Inflation averaged 16 percent from 1990 to 1997; it fell to 6.5 percent from 1998 to 2003.²³

Nevertheless, the standard of living in these nations is not high. In 2002, nearly 36 percent of the population in Latin America and the Caribbean lived below the poverty line -- the same portion as a decade before.²⁴ The extent of poverty varies significantly, from 12 percent of the population in Antigua & Barbuda to 80 percent in Haiti (see Appendix 1). This compares to a 12 percent poverty rate in the United States in 2004.²⁵ The Caribbean region’s out-migration rate of college-educated people is among the

²² The Caribbean economies have recently been analyzed extensively. See “A Time to Choose: Caribbean Development in the 21st Century, World Bank, April 26, 2005, [http://wbln0018.worldbank.org/LAC/lacinfoclient.nsf/8d6661f6799ea8a48525673900537f95/fe9533fb44ff524185256ff0004d98b3/\\$FILE/Time%20to%20choose_report.pdf](http://wbln0018.worldbank.org/LAC/lacinfoclient.nsf/8d6661f6799ea8a48525673900537f95/fe9533fb44ff524185256ff0004d98b3/$FILE/Time%20to%20choose_report.pdf), and “Stabilization, Debt, and Fiscal Policy in the Caribbean,” Ratna Sahay, International Monetary Fund, February 2005, www.imf.org/external/pubs/ft/wp/2005/wp0526.pdf.

²³ “Stabilization, Debt, and Fiscal Policy in the Caribbean,” Ratna Sahay, International Monetary Fund, February 2005, www.imf.org/external/pubs/ft/wp/2005/wp0526.pdf.

²⁴ Danny M. Leipziger, “The Unfinished Poverty Agenda: Why Latin America and the Caribbean Lag Behind,” *Finance and Development*, International Monetary Fund, March 2001, <http://www.imf.org/external/pubs/ft/fandd/2001/03/>.

²⁵ “The World Factbook,” Central Intelligence Agency, 2005, www.cia.gov/cia/publications/factbook/geos/us.html.

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highest in the world.²⁶ The prevalence of HIV/AIDS in the Caribbean region is second only to Sub-Saharan Africa.²⁷

The single best indicator of living standards is per capita Gross Domestic Product (GDP), which measures output divided by population. Per capita GDP in Caribbean counties grew about 2 percent annually in the 1990s as shown in Table 1.

Over the full 40-year period, the economies of the region have grown at an average rate per capita of 2.6 percent. At this rate, living standards double in less than 30 years. By international standards of emerging markets this is about average. Southern and eastern Asia have grown more rapidly, while Latin America has grown slower. The differences have been even greater recently.

Table 1
Caribbean Nations Have Had Moderate Economic Growth
With Significant Variation Among Countries
(Growth in Per Capita GDP)

<u>Region</u>	1960s	1970s	1980s	1990s	Average
Caribbean	2.3	3.9	2.2	1.9	2.6
Latin America plus Caribbean	2.4	3.3	-0.2	1.2	1.7
Southern and Eastern Asia	1.8	5.0	5.7	6.2	4.7
<u>Selected Countries</u>					
Barbados	6.0	3.0	1.9	0.5	2.8
Belize	2.2	4.4	2.8	3.5	3.2
Haiti	-1.3	1.8	-1.5	-3.2	-1.1
Trinidad and Tobago	3.5	3.5	-2.5	2.2	1.7

Source: "A Time to Choose: Caribbean Development in the 21st Century," World Bank, April 26, 2005, [http://wbln0018.worldbank.org/LAC/lacinfoclient.nsf/8d6661f6799ea8a48525673900537f95/fe9533fb44ff524185256ff0004d98b3/\\$FILE/Time%20to%20choose_report.pdf](http://wbln0018.worldbank.org/LAC/lacinfoclient.nsf/8d6661f6799ea8a48525673900537f95/fe9533fb44ff524185256ff0004d98b3/$FILE/Time%20to%20choose_report.pdf).

The average performance of the region masks large variations among nations. Per capita GDP ranges from about \$500 in Haiti to more than \$18,500 in Aruba, as shown in Appendix 1. By contrast, GDP per capita in the United States was \$40,100 in 2004,²⁸ more than double the highest of the Caribbean nations. Unlike its neighbors, Haiti started

²⁶ Michelle Lapointe, "Diasporas in Caribbean Development," Report of the Inter-American Dialogue and the World Bank, August 2004,

www.thedialogue.org/publications/country_studies/caribbean/diasporas.pdf.

²⁷ "Health in Latin America and the Caribbean," U.S. AID,

www.usaid.gov/locations/latin_america_caribbean/issues/health_issue.html.

²⁸ "The World Factbook," Central Intelligence Agency, 2005, <http://www.cia.gov/cia/publications/factbook/geos/us.html>.

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poor and stayed poor. Haiti's per capita GDP of less than \$2 a day is below the generally accepted definition of poverty around the world.

Economic Growth Is Slowing

Economic growth is essential to alleviate poverty and address issues such as out-migration. While the region's past growth has been reasonable, it is slowing. For example, tourism, a key driver of past performance, has declined as the Caribbean faces increasing competition from new markets in Cuba and Central America. More broadly, per capita GDP growth in the region slowed from a peak of 3.9 percent per year in the 1970s to 1.9 percent in the 1990s. The World Bank projects that growth in per capita GDP will average 2 percent per year from 2001 to 2010.²⁹

The most important element in the slowing of economic growth has been the slowing of productivity growth. Labor productivity (output per worker) has been mediocre, growing at about 1 percent per year. Total factor productivity, a measure of output relative to all inputs (not just labor) grew by about 2 percent per year in the 1980s and then became essentially flat in the 1990s according to World Bank estimates.³⁰ The difference between no productivity growth and 2 percent growth adds up. At a 2 percent growth rate, productivity doubles every generation, with ensuing benefits for living standards. For living standards to keep rising in the region, productivity growth will have to increase.

Both labor productivity and total factor productivity matter. That the former is growing slowly suggests slow growth in per capita income; that the latter stopped growing suggests that the region has chosen relatively unproductive capital investments. For per capita income to grow at the 2 percent rate predicted by the World Bank, both measures will have to improve.

Soaring Government Deficits Limit Policy Options

Deficits in the region as a percent of GDP have doubled, from an average of 3 percent (1990 to 1997) to 6 percent (1998 to 2003), and government debt has climbed rapidly. Total public debt reached a regional average of 96 percent of GDP by 2003, up from 67 percent in 1997. As the recent World Bank report explains: "Fourteen Caribbean countries are among the 30 most indebted countries in the world, and this exacts a toll on sustainable growth and worsens expectations about macro instability."³¹ Soaring deficits constrain the governments' ability to take a more active role in the economy.

²⁹ "A Time to Choose: Caribbean Development in the 21st Century, World Bank, April 26, 2005, [http://wbln0018.worldbank.org/LAC/lacinfoclient.nsf/8d6661f6799ea8a48525673900537f95/fe9533fb44ff524185256ff0004d98b3/\\$FILE/Time%20to%20choose_report.pdf](http://wbln0018.worldbank.org/LAC/lacinfoclient.nsf/8d6661f6799ea8a48525673900537f95/fe9533fb44ff524185256ff0004d98b3/$FILE/Time%20to%20choose_report.pdf).

³⁰ "A Time to Choose: Caribbean Development in the 21st Century," World Bank, April 26, 2005, [http://wbln0018.worldbank.org/LAC/lacinfoclient.nsf/8d6661f6799ea8a48525673900537f95/fe9533fb44ff524185256ff0004d98b3/\\$FILE/Time%20to%20choose_report.pdf](http://wbln0018.worldbank.org/LAC/lacinfoclient.nsf/8d6661f6799ea8a48525673900537f95/fe9533fb44ff524185256ff0004d98b3/$FILE/Time%20to%20choose_report.pdf).

³¹ "A Time to Choose: Caribbean Development in the 21st Century, World Bank, April 26, 2005, [http://wbln0018.worldbank.org/LAC/lacinfoclient.nsf/8d6661f6799ea8a48525673900537f95/fe9533fb44ff524185256ff0004d98b3/\\$FILE/Time%20to%20choose_report.pdf](http://wbln0018.worldbank.org/LAC/lacinfoclient.nsf/8d6661f6799ea8a48525673900537f95/fe9533fb44ff524185256ff0004d98b3/$FILE/Time%20to%20choose_report.pdf).

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The traditional U.S. approaches to assisting these countries -- trade preferences and aid -- will be of limited value in today's environment. Net overseas development assistance relative to GDP has been shrinking -- from an average of 6 percent (1990 to 1997) to about 3 percent (1998 to 2002).³² Additionally, as trade has become more open, there is little to be gained by giving additional trade preferences.

Looking ahead, U.S. budget realities preclude substantial aid, and the budget realities of the Caribbean nations limit their ability to spend. Filling these gaps will require participation by the private sector. That is just as well because spurring productivity growth is best done with private-sector solutions.

³² "A Time to Choose: Caribbean Development in the 21st Century, World Bank, April 26, 2005, [http://wbln0018.worldbank.org/LAC/lacinfoclient.nsf/8d6661f6799ea8a48525673900537f95/fe9533fb44ff524185256ff0004d98b3/\\$FILE/Time%20to%20choose_report.pdf](http://wbln0018.worldbank.org/LAC/lacinfoclient.nsf/8d6661f6799ea8a48525673900537f95/fe9533fb44ff524185256ff0004d98b3/$FILE/Time%20to%20choose_report.pdf).

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“Some of these initiatives, such as Petrocaribe, expand on the policies of previous Venezuelan governments. But now their aim is to cement an anti-American block. This goal has also led Venezuela to seek close ties with countries such as Iran and China. With Mr Castro, Mr Chávez claims to be building an alternative (called ALBA) to the Free Trade Area of the Americas...”

The Economist
July 28, 2005

4. Unfriendly nations are attempting to exploit economic stress to gain influence in the region.

The United States benefits when the countries in the Caribbean Basin prosper. In addition to our economic interests, thriving Caribbean countries would be better able to withstand pressure from America’s strategic rivals. Both Venezuela and China, for example, are attempting to use their economic clout to pursue their strategic interests in the Caribbean.

Venezuela and Cuba Promote Alternatives to U.S. Trade Pacts

Venezuela’s President Hugo Chávez, in collaboration with Cuban leader Fidel Castro, is promoting a “Bolivarian Alternative” to the FTAA. Of the active member states in CARICOM,³³ only Barbados and Trinidad and Tobago declined to participate in the alternative.³⁴ Venezuela and Cuba’s collaboration is also demonstrated by the 49 trade and development agreements they have signed this year.³⁵

Chávez’ PetroCaribe is a program of concessionary oil sales to Caribbean nations that is viewed as an attempt to buy influence over a block of votes in international bodies.³⁶ Thirteen nations have signed on.³⁷ At a recent meeting of the Organization of American States (OAS), U.S. officials reportedly were unable to persuade members to commit the organization to intervene in a member nation’s affairs if democracy there faced a serious threat. They apparently viewed Venezuela as the target of the action.³⁸

³³ CARICOM’s member states are: Antigua and Barbuda, the Bahamas (member of the Community but not the Common Market), Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, Saint Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago. “CARICOM Member States,”

www.jis.gov.jm/special_sections/CARICOMNew/CaricomMemberStates.html.

³⁴ Carol J. Williams, “Chavez Extends an Oil-Rich Hand to Neighbors,” *Los Angeles Times*, September 13, 2005.

³⁵ “Venezuelan-Cuban Accords,” *Florida Sun-Sentinel*, September 11, 2005, www.sun-sentinel.com/news/local/cuba/sfl-acubabox11sep11.1.7099994.story?ctrack=1&csct=true.

³⁶ “Using Oil Sales to Spread Revolution,” *The Economist*, July 28, 2005, http://www.economist.com/world/la/displayStory.cfm?story_id=4232330.

³⁷ Carol J. Williams, “Chavez Extends an Oil-Rich Hand to Neighbors,” *Los Angeles Times*, September 13, 2005.

³⁸ Chris Kraul and Paul Richter, “Frustrated U.S. Finds Few Willing to Join Anti-Chavez Coalition,” *Los Angeles Times*, September 17, 2005.

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While U.S. policy seeks to foster a democratic transition in Cuba, Venezuela's oil wealth helps keep the Cuban economy afloat. The Integral Cooperation Accord signed in October 2000 laid the groundwork for an exchange of Venezuelan oil for Cuban goods and services that has become a lifeline for Cuba.³⁹

China Uses Trade to Isolate Taiwan

China has dramatically increased its trade and investment ties to the Caribbean region, in part to undermine support for Taiwan. The first China-Caribbean Trade Fair was held in 2005. China used the occasion to announce "Approved Destination Status" for ten Caribbean nations, which will allow them to attract Chinese tourists. Notably absent from the list are Belize, St. Kitts-Nevis, St. Vincent & the Grenadines, the Dominican Republic, and Haiti -- countries that maintain diplomatic relations with Taiwan.⁴⁰ Last year, China persuaded Dominica to withdraw its formal recognition of Taiwan in return for more than \$100 million in economic assistance; Grenada followed suit this year.⁴¹

China's exports to Latin America and the Caribbean rose from \$5 billion in 1999 to \$18 billion in 2004, while imports rose from \$3 billion to \$22 billion.⁴² Beijing looks to the region as a source of key raw materials, including oil, copper, other minerals and soybeans. To this end, China has secured trade and investment agreements with Argentina, Brazil, Chile, Cuba and Venezuela.⁴³

China's trade with the region remains small by comparison to U.S. trade, but it bears watching. As U.S. Assistant Secretary of State Roger Noriega recently said, "China's growing presence in the region reflects its growing engagement throughout the world. It does not necessarily constitute a threat to U.S. interests. Nonetheless, we remain keenly aware that China's growing economic ties to the [Western] Hemisphere includes a political dimension. In the meantime, we will continue our historically strong and close ties in the Hemisphere and to advance our agenda by focusing on the pillars identified earlier -- bolstering security, strengthening democracy, promoting prosperity, and investing in people."⁴⁴

³⁹ "Background Note: Cuba," U.S. Department of State, Bureau of Western Hemisphere Affairs, August 2005, www.state.gov/r/pa/ei/bgn/2886.htm

⁴⁰ John Collins, "China Poised For Caribbean Tourism," *Puerto Rico Herald*, February 10, 2005, www.puertorico-herald.org/issues2/2005/vol09n06/CBChinaPoised.shtml.

⁴¹ "Dominica severs diplomatic relations with Taiwan," *Caribbean Net News*, March 30, 2004, www.caribbeannetnews.com/2004/03/30/taiwan.htm; "Grenada dumps Taiwan in favour of China," *Caribbean Net News*, January 21, 2005, www.caribbeannetnews.com/2005/01/21/dumps.shtml

⁴² Testimony of Roger F. Noriega, Assistant Secretary of State for Western Hemisphere Affairs before the House Subcommittee on the Western Hemisphere, "China's Influence in the Western Hemisphere," April 6, 2005, www.house.gov/international_relations/109/nor040605.pdf.

⁴³ R. Evan Ellis, "U.S. National Security Implications of Chinese Involvement in Latin America," Strategic Studies Institute, U.S. Army War College, June 2005, www.strategicstudiesinstitute.army.mil/pdf/PUB606.pdf.

⁴⁴ Testimony of Roger F. Noriega, Assistant Secretary of State for Western Hemisphere Affairs before the House Subcommittee on the Western Hemisphere, "China's Influence in the Western Hemisphere," April 6, 2005, www.house.gov/international_relations/109/nor040605.pdf.

[APG]

While these efforts do not constitute an immediate threat, they pose long-term concerns that the United States should address now. The best way to thwart efforts to undermine democracy and U.S. interests in the Caribbean region is to create jobs and help strengthen local economies through private-sector investment.

[APG]

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*"I consider the territory's economic development programme
... a powerful engine that is reshaping the economy of the
U.S. Virgin Islands."*

Marjorie Rawls Roberts

September 2004

5. Providing incentives for investment in the Caribbean promotes U.S. economic and national security interests.

Deteriorating economic conditions in the Caribbean could spill over onto our shores. As President Bush recently said, "Weak and troubled nations export their ills -- problems like economic instability and illegal immigration and crime and terrorism."⁴⁵ Traditional approaches will not be sufficient to address the economic challenges facing Caribbean nations. Alternatively, expanding long-standing incentives for private investment in the region would promote economic development and democracy in the region and U.S. national security.

Options to Improve Productivity Growth Are Limited

The key to spurring economic development in the Caribbean is increasing productivity growth, which requires increased investment. Caribbean governments have limited resources to spend for investment, however, because they already are heavily in debt.

U.S. assistance has typically come as a combination of trade preferences and aid. Neither can be relied upon in the current environment. Trade concessions have become widespread, so they no longer provide the same relative benefit to the Caribbean. U.S. budget funds for aid are scarce, and aid may not spur the investments needed to increase productivity. An alternative approach is to expand existing tax incentives designed to promote private investment.

Long-Standing Tradition of Incentives

The United States has a long-standing tradition of using the tax code to encourage investment in the region. For nearly half a century, U.S. tax policy has allowed taxes paid to the U.S. Virgin Islands to offset U.S. tax obligations. In what is known as a mirror system, standard federal tax forms are used to pay taxes to the USVI government. This income is then excluded from income for U.S. federal tax purposes. The obligation to pay federal taxes on the investments is met, yet all the tax funds remain in the local area.

In addition, the U.S. Virgin Islands created a tax incentive to invest in the territory, using the taxing authority granted to it by the U.S. government. Through a program

⁴⁵ President's Remarks at CEO Summit Closing Session, November 20, 2004, www.whitehouse.gov/news/releases/2004/11/20041120-6.html.

administered by the USVI's Economic Development Commission (EDC), qualified investments are eligible for substantial reductions in taxes. In 2003, approximately 95 USVI companies employing nearly 9,000 people received tax benefits from the EDC. These companies represented a range of sectors including hotels and tourist attractions, manufacturing, transportation, and export service businesses.⁴⁶

USVI Investment Incentives Provide a Model

The tax incentives applicable to USVI investments provide a model for encouraging private investment, creating jobs, and preserving democracy throughout the region. The program imposes requirements and conditions on beneficiaries to ensure that public policy objectives are achieved.⁴⁷

These requirements include:

- A minimum level of capital investment
- Employment of a minimum number of individuals
- Training for management and employees
- Health and retirement plans for employees
- A preference for the purchase of local goods and services

Congress modified the program to ensure that it promotes legitimate economic development in the USVI as part of the Jobs Creation Act of 2004. In response to perceived abuses, Congress tightened requirements relating to who is considered a USVI resident and restricted the type of income that qualifies for benefits. For this type of program to be successful and sustainable, it must achieve its public policy goals and operate without abuses.

Benefits of the USVI Approach

One benefit of using tax incentives instead of direct government aid is that they encourage investment while maintaining the efficiency of market-based solutions. The government is not well equipped to "pick winners." With tax incentives, private investors bring capital to the region and decide how to deploy that capital, control costs, and manage their projects.

In addition, tax incentives are more effective, dollar for dollar, than direct outlays because they provide leverage. A small amount of tax benefit can lead to a significant improvement in return on a project, relative to other projects, causing a switch to the tax-favored investments and generating an inflow of investment that is larger than the original tax expenditure.

⁴⁶ General Information, United States Virgin Islands Economic Development Authority, www.usvieda.org/EDC/GeneralInfo/general.info.asp.

⁴⁷ The USVI government's comments on the Treasury Department's proposed regulations to implement the American Jobs Creation Act of 2004, July 2005 and Marjorie Roberts, "Budget Extends Tax Benefit Periods for Business," *Tax Notes International*, September 6, 2004. Ms. Roberts was former tax counsel to the U.S. Treasury Department.

[APG]

Tax incentives for investing in the USVI have succeeded in promoting economic development in the territory. The EDC program has “breathed new life into the Virgin Islands economy,” according to the USVI government.⁴⁸

In 2005, PricewaterhouseCoopers (PWC) analyzed the power of the program to achieve its public purpose of stimulating economic development in the region. The study looked at the number of businesses and jobs created, and the income tax revenues produced, by a major component of the program (for Designated Service Businesses).

PWC estimated that the program generated \$100 million per year in additional tax revenues for the USVI government. More than 3,600 jobs were created according to the study -- 500 directly and the rest from “multiplier” effects. As the investing companies spend money on office equipment and materials, for example, these suppliers in turn spend money and create jobs.⁴⁹

This program is helping stem the out-migration of skilled labor. “Many of these jobs are going to people who grew up in the U.S. Virgin Islands but left due to the lack of opportunity who are now moving back -- the brain drain reversal -- or to people who would leave without good jobs at home,” says Marjorie Rawls Roberts.⁵⁰

According to Roger Dewey, Executive Director of the St. Croix Foundation, because of this program: “People now have an opportunity to have meaningful, well paying employment in the private sector. Until the explosion in the economic development program, that had not been the case. The further development of a Virgin Islander middle class will result in better community governance in the long run.”⁵¹

Expanding these tax incentives to include investments by USVI companies not only in the U.S. Virgin Islands but throughout the region would trigger private capital investment in the region and protect U.S economic and national security interests.

⁴⁸ The USVI government’s comments on the Treasury Department’s proposed regulations to implement the American Jobs Creation Act of 2004, July 2005.

⁴⁹ PricewaterhouseCoopers, “Economic Impact of H.R. 4520 on U.S. Virgin Islands,” January 12, 2005, www.pwc.com/us/eng/tax/wnts/hr4520-virgin-islands.pdf. PWC estimated that the jobs created by this aspect of the program represented 8 percent of the USVI labor force. This may not all be a net increase in employment, as some of these jobs may have been created by bidding workers away from other employment. To do so would have increased wages.

⁵⁰ Marjorie Rawls Roberts, “The Case for Economic Incentives,” September 2004, www.offshoreinvestment.com.

⁵¹ Marjorie Rawls Roberts, “The Case for Economic Incentives,” September 2004, www.offshoreinvestment.com.

[APG]

Conclusion

As the United States attempts to foster democracy around the world, we also should take action to strengthen our allies in our backyard. Caribbean Basin nations are predominantly democracies with strong ties to the United States. However, these strategically important countries are vulnerable to a wide range of economic and social problems, inroads by unfriendly nations, and natural disasters.

The economies of the Caribbean countries have performed reasonably well, but they still have high levels of poverty. Economic growth, the key to improving living standards, is slowing. Investment, whether public or private, is critical to improve productivity and provide the needed economic boost.

Trade preferences have become less effective for promoting economic development as they have become more widespread. The high debt burdens of these countries preclude major increases in their own public investment, and there are limits to the amount of direct aid the United States is likely to provide. Even if sufficient aid were feasible, productivity problems are better solved by private investment.

There are strong precedents for the U.S. government to provide incentives to generate greater private investment in the region. In particular, the tax incentives for investing in the U.S. Virgin Islands have resulted in increased investment and employment in the territory. Extending similar incentives to investments by USVI companies in other nations along America's Third Border would bolster economic growth and democracy in the region -- and reduce security risks to the United States -- in the years ahead.

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Appendix 1

Caribbean Basin Initiative Countries*

Country	Government or Dependency Status	Population	GDP Per Capita 2005 (\$US)	Percent of Pop. Below Poverty Line	U.S. Trade Progs and other Alliances	U.S. Imports 2004 (\$US)	U.S. Exports 2004 (\$US)
Anguilla	Overseas territory of the UK	13,254	NA	23	GSP	888,108	20,837,198
Antigua & Barbuda	Constitutional monarchy with UK-style parliament	68,722	11,593	12	GSP CBERA	4,366,441	125,269,863
Aruba	Parliamentary democracy	71,566	18,588	NA	CBERA	1,776,373,462	374,432,847
Bahamas	Constitutional parliamentary democracy	301,790	18,548	NA	CBERA	637,330,752	1,182,066,249
Barbados	Parliamentary democracy; independent sovereign state within the Commonwealth	279,254	10,849	14	GSP CBERA CBTPA	36,871,668	347,578,725
Belize	Parliamentary democracy	279,457	3,987	33	GSP CBERA CBTPA	107,102,906	151,675,421
British Virgin Islands	Overseas territory of the UK; internal self-governing	22,643	NA	NA	GSP CBERA	17,327,074	97,693,408
Cayman Islands	Overseas dependency UK	44,270	NA	NA	none	14,818,693	399,498,745
Costa Rica	Democratic republic	4,016,173	4,526	18	GSP CBERA CBTPA* CAFTA	3,332,939,760	3,303,742,521
Dominica	Parliamentary democracy; republic within the Commonwealth	69,029	3,944	30	GSP CBERA	2,882,554	35,890,143
Dominican Republic	Representative democracy	8,950,034	2,424	25	GSP CBERA CBTPA* CAFTA	4,528,420,424	4,342,881,839
El Salvador	Republic	6,704,932	2,399	36	GSP CBERA CBTPA* CAFTA	2,052,615,007	1,867,806,415
Grenada	Constitutional monarchy with Westminster- style parliament	89,502	4,325	32	GSP CBERA	5,101,053	69,910,398
Guatemala	Constitutional democratic republic	14,655,189	1,995	75	GSP CBERA CBTPA* CAFTA	3,154,577,894	2,548,252,101

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Guyana	Republic within the Commonwealth	765,283	1,030	35	GSP CBERA CBTPA	122,667,332	135,619,981
Haiti	Elected government	8,121,622	517	80	GSP CBERA CBTPA	370,666,305	663,000,588
Honduras	Democratic constitutional republic	6,975,204	1,086	53	GSP CBERA CBTPA* CAFTA	3,641,067,296	3,076,512,302
Jamaica	Constitutional parliamentary democracy	2,731,832	3,542	20	GSP CBERA CBTPA	320,304,040	1,431,596,126
Montserrat	Overseas territory of the UK	9,341	NA	NA	GSP CBERA	458,994	6,055,587
Netherlands Antilles	Autonomous country within the Netherlands; Dutch government responsible for defense and foreign affairs	219,958	16,237	NA	CBERA	443,858,386	872,640,316
Nicaragua	Republic	5,465,100	871	50	CBERA CBTPA* CAFTA	990,471,296	591,704,850
Panama	Constitutional democracy	3,039,150	4,513	37	GSP CBERA CBTPA	316,141,696	1,820,009,015
St. Kitts & Nevis	Constitutional monarchy with Westminster-style parliament	38,958	10,258	31	GSP CBERA	41,700,755	60,417,268
St. Lucia	Westminster-style parliamentary democracy	166,312	4,658	19	GSP CBERA CBTPA	14,347,007	103,303,535
St. Vincent & Grenadines	Parliamentary democracy; independent sovereign state within the Commonwealth	117,534	4,015	33	GSP CBERA	4,130,207	45,396,474
Suriname	Constitutional Democracy	438,144	2,403	70	GSP	140,804,365	178,561,051
Trinidad & Tobago	Parliamentary democracy	1,088,644	10,881	21	GSP CBERA CBTPA	5,854,311,208	1,207,193,573
Turks & Caicos	Overseas territory of the UK	20,556	NA	NA	GSP	7,275,360	137,239,402

*The Caribbean Basin Initiative (CBI) includes the Caribbean Basin Economic Recovery Act of 1983 (CBERA); the Caribbean Basin Economic Recovery Expansion Act of 1990 (CBERA Expansion Act), which made CBERA duty-free benefits permanent and added new benefits; and the U.S.-Caribbean Basin Trade Partnership Act of 2000 (CBTPA), which provides NAFTA-parity treatment to certain goods from eligible countries. NAFTA-parity benefits under CBTPA are scheduled to expire on September 30, 2008, or the date, if sooner, on which the Central American Free Trade Agreement (CAFTA), Free Trade Area of the Americas (FTAA), or other free trade agreement enters into force between the United States and a CBTPA beneficiary country. All these countries and territories were listed in CBERA as eligible for designation as beneficiary countries. However, Anguilla, Cayman Islands, Suriname, and Turks & Caicos never requested beneficiary status and therefore are not CBI beneficiaries. U.S. Department of Commerce,

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Caribbean Basin Initiative, Frequently Asked Questions, <http://www.mac.doc.gov/CBI/FAQs/faqcbi-all.htm#Nine>; Fifth Report to Congress on the Operation of the Caribbean Basin Economic Recovery Act, Office of the United States Trade Representative, December 31, 2003, www.ustr.gov/assets/Trade_Development/Preference_Programs/CBI/asset_upload_file160_771.pdf.

Generalized System of Preferences (GSP), a program designed to promote economic growth in the developing world, provides preferential duty-free entry for more than 4,650 products from 144 designated beneficiary countries and territories. The GSP program was instituted in 1976 and authorized under the Trade Act of 1974 for a 10-year period. It has been renewed periodically since then, most recently in 2002, when President Bush signed legislation that reauthorized the GSP program through 2006. Generalized System of Preferences, Office of the United States Trade Representative, www.ustr.gov/Trade_Development/Preference_Programs/GSP/Section_Index.html.

Data Sources

Government or Dependency Status: "The World Factbook," Central Intelligence Agency, 2005, www.cia.gov/cia/publications/factbook/index.html.

Population: "The World Factbook," Central Intelligence Agency, 2005, www.cia.gov/cia/publications/factbook/index.html.

GDP Per Capita: GDP from International Monetary Fund, World Economic Outlook Database, September 2005, www.imf.org/external/pubs/ft/weo/2005/01/data/index.htm. GDP for Aruba from "Caribbean Region Profile," 2005, www.caribbeanprofile.com/.

Percent of Population Below Poverty Line: Poverty figures for Anguilla, Belize, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Haiti, Honduras, Jamaica, Nicaragua, Panama, Suriname and Trinidad & Tobago are from the "The World Factbook," Central Intelligence Agency, 2005, www.cia.gov/cia/publications/factbook/index.html. Poverty figures for Antigua & Barbuda, Barbados, Guyana, St. Kitts/Nevis, St. Lucia and St. Vincent/Grenadines are from "A Time to Choose: Caribbean Development in the 21st Century, World Bank, April 26, 2005, [http://wbln0018.worldbank.org/LAC/lacinfoclient.nsf/8d6661f6799ca8a48525673900537f95/fe9533fb44ff524185256ff0004d98b3/\\$FILE/Time%20to%20choose_report.pdf](http://wbln0018.worldbank.org/LAC/lacinfoclient.nsf/8d6661f6799ca8a48525673900537f95/fe9533fb44ff524185256ff0004d98b3/$FILE/Time%20to%20choose_report.pdf).

U.S. Trade Programs and other Alliances: U.S. Trade Programs and other Alliances: United States International Trade Commission, Interactive Tariff and Trade DataWeb, July 2005, <http://dataweb.usitc.gov/>.

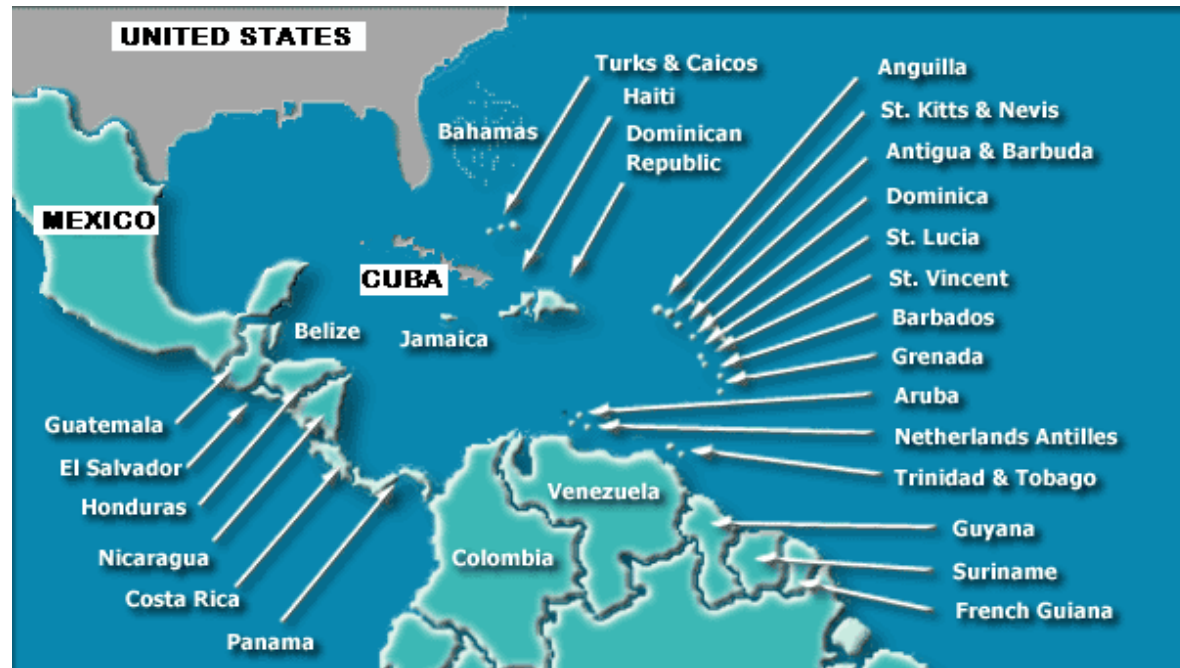
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U.S. Exports: United States International Trade Commission, Interactive Tariff and Trade DataWeb, July 2005, <http://dataweb.usitc.gov/>.

[APG]

EXHIBIT KVT-25

America's Third Border



*Protecting National Security
By Promoting Private Investment
In the Caribbean*

Overview

- Because of the Caribbean region's proximity to the United States, its political and economic stability are essential for our national security.
- The United States has a history of trade, aid, and private investment in the region.
- Caribbean economies have performed reasonably well, but slower growth, poverty, and other challenges threaten their future performance.
- Unfriendly nations are attempting to exploit economic stress to gain influence in the region.
- Traditional approaches of trade preferences and aid will not be sufficient to address slower economic growth.
- Expanding existing incentives for investment in the Caribbean would promote U.S. economic and national security interests.

U.S. National Security Depends on the Political and Economic Stability of Our Neighbors

- Caribbean Basin nations are predominantly democracies with strong ties to the United States.
- They are vulnerable to a wide range of economic and social problems, inroads by unfriendly nations, and natural disasters.
- Because of their proximity to the United States, Caribbean nations could serve as a launching pad for alien smuggling, drug trafficking, and terrorist activity.
- As the United States attempts to spread democracy globally, we should take action to preserve it in our backyard -- the Caribbean region.

The U.S. Has a History of Trade, Aid, and Private Investment in the Caribbean Region

- U.S. trade preference programs have provided duty-free access to the U.S. market for a broad array of products from the region.
 - The Caribbean Basin Initiative is a U.S. program designed to promote economic development in the region.
 - Collectively, the 24 nations benefiting from this initiative were America's 8th largest export destination and 12th largest source of imports in 2004.
- The United States also provides a limited and variable amount of direct government aid to the region.
- The United States has been a significant source of private foreign investment to the region.

The Region Faces Slower Economic Growth, Extensive Poverty, and Soaring Debt

- Caribbean economies have performed reasonably well, though some have fared better than others.
- A myriad of challenges threatens the region's future prosperity including diminished productivity growth, extensive poverty, and soaring public debt.
- Economic growth is already slowing.
- Policy options are limited by U.S. and Caribbean budget realities and the diminished value of trade preferences, making private-sector investment necessary to spur economic growth.

Unfriendly Nations Are Exploiting Economic Stress to Gain Influence in the Region

- Venezuela is buying influence with Caribbean nations using subsidized oil sales.
- Venezuela and Cuba are promoting alternatives to U.S. trade pacts.
- China is increasing its presence in the region, using trade and investment to isolate Taiwan.
- Economic growth and jobs are the best way to thwart efforts to undermine democracy and U.S. interests in the Caribbean.

Traditional Approaches Will Not Be Sufficient

- As trade preferences become more widespread, the value they provide to the Caribbean is eroded.
- Because Caribbean countries have among the world's highest debt burdens, major increases in their own public investment are not feasible.
- U.S. budget realities also preclude providing the large amount of direct aid needed.
- Even if sufficient aid were feasible, improving economic growth is better accomplished through private investment.

Expanding Incentives for Investment in the Region Would Promote U.S. Interests

- There are strong precedents for the United States to provide incentives to generate greater private investment in the region.
- Tax incentives for investments in the U.S. Virgin Islands have resulted in increased economic activity and employment in the territory.
- Extending these incentives to investments made by USVI companies throughout the region would bolster economic growth and democracy.
- Stronger Caribbean nations would serve U.S. security interests.

Conclusion

- Because of the Caribbean region's proximity to the United States, its political and economic stability are essential for our national security.
- The United States has a history of trade, aid, and private investment in the region.
- Caribbean economies have performed reasonably well, but slower growth, poverty, and other challenges threaten their future performance.
- Unfriendly nations are attempting to exploit economic stress to gain influence in the region.
- Traditional approaches of trade preferences and aid will not be sufficient to address slower economic growth.
- Expanding existing incentives for investment in the Caribbean would promote U.S. economic and national security interests.

EXHIBIT KVT-26

From: Susan Martin [smartin@benbarnesgroup.com]
Sent: Tuesday, May 22, 2007 4:03 PM
To: Stanford, Allen
Cc: Hodge, Julie
Subject: A Note from Ben Barnes
Allen –

I'd like to discuss with you the following:

1. I've been working with Tal Kimmel on a new anti-microbial disinfectant, EnviroDoctor. This might be something worth your personal attention. By the way, I find Tal very impressive.
2. I'd like to suggest a proposed retainer-fee of \$135,000 per month for the U.S. Virgin Islands Legislation effort. I have retained Scott Reed and Mitch Delk, and am paying them \$25,000 and \$15,000 respectively. We still owe them for May. In addition, I'd like to discuss a success-fee for passage of that legislation.
3. And finally, I've been working with Gene Ramirez, another impressive guy, on the generation of electricity and potable water from sea water, Current-to-Current. This is another project deserving of your attention.

I am on the ground at 11:30 AM CDT and will call you then.

Best regards.
Ben

EXHIBIT KVT-27

From: Stanford, Allen
Sent: Friday, December 07, 2007 11:41 AM
To: Suarez, Yolanda; Davis, James

Yolanda I want you to negotiate a success fee for getting new VI legislation passed in 2008 with Ben Barnes. I know you don't think this is achievable but Ben has assured me if we get on this and get in front of key folks on the hill it can be accomplished next year .

Jim we need the language of the new legislation asap and as you and I agreed this would be your responsibility. We can discuss today.

Yolanda I have been personally paying Ben \$265K each month this year. I think the world of Ben and know he is very capable but this is too much for what we are getting in return. Ben has said Mitch and others were hired to do Stanford business only which I know is not the case. Anyway come to me when we meet next week with a proposal for paying Ben's team for anything beyond a success fee

Last... Yolanda what is the status of our own office in DC? RAS

EXHIBIT KVT-28

From: Mitchell Delk [mitchelldelk@comcast.net]

Sent: Tuesday, February 19, 2008 11:52 AM

To: Suarez, Yolanda

Subject: Re: the "story"

I e-mailed Ben and Susan regarding Ben's calendar and availability for a call today, but have not heard from either of them as of this morning. I will follow up with both and let you know what I learn. What will be the best number to reach you today?

----- Original Message -----

From: Suarez, Yolanda

To: mitchelldelk@comcast.net

Sent: Monday, February 18, 2008 4:59 PM

Subject: FW: the "story"

Mitch

See Lionel's comments below. Not sure exactly how we are going to orchestrate meeting with Gov. Would be good to have a conference call tomorrow morning if possible with the two of us and Ben. Pls. let me know. Tks for the assistance. YS

From: Johnson, Lionel C.

Sent: Monday, February 18, 2008 4:55 PM

To: Suarez, Yolanda; Conzelman, James

Cc: Davis, James

Subject: RE: the "story"

Mitch has obviously put serious thought into this. I believe that the case for modernization of USVI tax incentives should be made to advance the foreign policy [versus national security] interests of the United States. This includes the economic revitalization of the region through investment and employment generation in the services sector, and fuller integration of the region into the global economy. We should avoid casting this as an element of the 'global war on terrorism', the argument for which is weaker, and which will have few adherents on the Democratic side of the aisle.

What specific elements of USVI tax modernization do we seek? Ben, or whomever we designate, should be able to clearly articulate what we think is needed in the approach to the governor, and Members of Congress, including Rep. Christianson. Making this a non-Stanford, but rather a pro-USVI investment and development initiative, is central to its credibility and its prospects for gaining traction in Congress.

From: Suarez, Yolanda

Sent: Monday, February 18, 2008 4:19 PM

To: Conzelman, James; Johnson, Lionel C.

Cc: Davis, James

Subject: FW: the "story"

Jim and Lionel

Forgot to forward this to you guys. Would appreciate your comments. Tks.

From: Mitchell Delk [mailto:mitchelldelk@comcast.net]

Sent: Thursday, February 14, 2008 3:39 PM

To: Suarez, Yolanda
Subject: the "story"

Yolanda:

Attached is a revised version of the "story". I spent about two hours with John and Jim on Tuesday - both were very engaged. I have also talked with Jori several times over the past two weeks. I think the story is compelling - The Jobs Act was an over-reaction with pernicious impacts on the USVI, fundamental fairness and global economic factors argue for a modernization of the tax incentives, and modernization will bring economic life to the territories and the region -both of strategic interest to the United States. I also talked with Ben who indicated he is ready, willing and able to go talk to the Governor (his relationship with the Congressman from New York would provide an enticing entree) - probably not a bad idea for a non-Stanford employee to initiate the conversation, but clearly your call. If Ben does make the initial overture, I would suggest Jori go with him (she knows and has a relationship with the Governor.) I am also willing to go if you fear the story could become muddled. In any event, take a look at the re-draft and let's talk at your convenience.
M. Delk

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EXHIBIT KVT-29

From: Mitchell Delk [mitchelldelk@comcast.net]
Sent: Thursday, February 14, 2008 8:39 PM
To: Suarez, Yolanda
Subject: the "story"

Attachments: USVIGovernor'sStory.doc

Yolanda:

Attached is a revised version of the "story". I spent about two hours with John and Jim on Tuesday - both were very engaged. I have also talked with Jori several times over the past two weeks. I think the story is compelling - The Jobs Act was an over-reaction with pernicious impacts on the USVI, fundamental fairness and global economic factors argue for a modernization of the tax incentives, and modernization will bring economic life to the territories and the region -both of strategic interest to the United States. I also talked with Ben who indicated he is ready, willing and able to go talk to the Governor (his relationship with the Congressman from New York would provide an enticing entree) - probably not a bad idea for a non-Stanford employee to initiate the conversation, but clearly your call. If Ben does make the initial overture, I would suggest Jori go with him (she knows and has a relationship with the Governor.) I am also willing to go if you fear the story could become muddled. In any event, take a look at the re-draft and let's talk at your convenience.

M. Delk

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EXHIBIT KVT-30

USVI Tax Incentives: The Case for Modernization, Without Triggering Abuses

The USVI Tax Incentives

1. The USVI tax incentives were created over 50 years ago to spur economic growth, create jobs, diversify the economy, and enhance the territory's revenues.
2. By 2004, approximately 100 companies were participating in the EDC program.
3. Original users of the tax incentives were primarily manufacturers whose products were exported, particularly watch manufacturers.
4. Several EDC participants, in the absence of IRS regulations (regulations regarding what constituted bona fide USVI residency, what income was treated as USVI source or effectively connected income, and how the Internal Revenue Code would be applied to the USVI), took aggressive interpretations of the USVI tax incentives. Congress reacted by severely restricting eligibility to the program in the Jobs Act - it created tough residency requirements and prohibited benefits from being taken on any income sourced from the United States, even if it was effectively connected or a business activity sanctioned by the USVI government.
5. As a result, participation in the EDC program has dropped precipitously, with service businesses shrinking by more than 50 percent. (Service businesses are the fastest growing sector in the United States economy.) Consequently, revenues for the territories have fallen and jobs relating to the EDC program have declined. While the Jobs Act was intended to eliminate abusive practices, it went further than necessary according to many observers and has had a "chilling effect" on all businesses which operated in the USVI or those who might have considered the territories for their primary business venue.

A Changing Economic World

6. During the past couple of decades, two phenomena occurred that have profoundly transformed world economics. Economies once dominated by manufacturing are now predominantly driven by service-oriented enterprises. Additionally, the world economy, once segregated by distinct geographic regions, now functions without borders in essentially one global marketplace.
7. The confluence of these events – the globalization of the economy, one dominated by service-providing businesses – makes the USVI tax incentives, which encourage businesses to locate and do business almost exclusively in the territories, an antiquated public policy model. Gone are the days of the local widget maker.

8. The USVI tax incentives must be modernized to reflect these global realities, but accomplished in a manner that avoids the return of past abuses, such as those addressed in the Jobs Act. In that vein, the tough residency requirements embedded in the Act and subsequent regulations and the prohibition on benefits for U.S. sourced income must be preserved.
9. Even with a modernization of the USVI tax incentives, the original policy objectives would remain paramount and unchanged - creating economic growth, fostering job creation, diversification of the economy, and enhancing the revenue base of the territories. In fact, given the impact on the USVI from the Jobs Act, modernization is a necessity.
10. While a modernization would encourage enterprises operating in the global marketplace to consider operating from the territories, the nexus with the USVI would have to be unambiguous and inseparable. In other words, while a corporation might do business outside the territory's borders, its brain trust, business-decisions apparatus and management of the global business operations would have to be performed in the USVI. In fact, many would argue that the Model Tax Treaty contemplates such a scenario. Fundamental fairness and multiple public policy rationales argue for this type of arrangement applying to global USVI-centric enterprises.
11. Many best-selling books have documented these paradigm-shifting economic trends, such as Thomas Freidman's *The World Is Flat*. Failure to modernize the USVI tax incentives to account for these phenomena would be punitive and would potentially result in the USVI being even more dependent on the United States.

America's National Security Interest Protected

12. Incentivizing more businesses to operate in and from the USVI ensures the territory's economic viability. Modernization of the USVI tax incentives could be the catalyst that engenders renewed business interest in the islands – reversing the pernicious trend that began after the Jobs Act.
13. Modernized USVI tax incentives can not only serve to foster economic life in the territory, but could potentially catapult the USVI into a position to be the economic engine that drives economic growth in the Caribbean – a region with strategic relevance for the United States. At a minimum, a favorable business environment in the USVI will have salutary and spillover effect on the entire region.
14. As America and its allies fight the threat of terrorism across the globe, we do not want economic instability in our own backyard to present opportunities for the nefarious opportunists to exploit. Hardly a day passes without a reminder of the

antics emanating from Venezuela. Cuban remains a tinderbox. China continues to view the Caribbean as a potential strategic partner. It is in our national security interest to have an economically robust Caribbean region – our third border. Without economic stability in the Caribbean, the potential for American's regional strategic interest to be compromised increases and the need for tax dollars to be employed to produce stability in the region increases exponentially.

Modernization: A Win for Everyone

15. Modernization of the USVI tax incentives would result in a compelling win/win/win situation: one, a profound win for the USVI, and potentially the entire Caribbean region, for economic growth and diversification, job creation and an increased revenue base would be the byproduct of a reasonable update; two, a win for enterprises whose business spans the globe and who chose the USVI as their headquarters and operational epicenter; and finally, a win for our national security interest resulting from economic stability and democracy in the Caribbean region and the mitigation for the need to employ federal dollars to ensure our regional objectives are achieved.

EXHIBIT KVT-31

From: mitchelldelk@comcast.net
Sent: Wednesday, February 27, 2008 3:25 AM
To: Suarez, Yolanda
Subject: Re: good event tonight

Works for me. Both of your staff were at tonight's event.
Sent from my Verizon Wireless BlackBerry

-----Original Message-----

From: "Suarez, Yolanda" <YSuarez@StanfordEagle.com>

Date: Tue, 26 Feb 2008 20:47:02
To: <mitchelldelk@comcast.net>
Subject: Re: good event tonight

Mitch

Good to hear about tonight. Looking forward to seeing you on Friday. Is 8am OK for breakfast?

----- Original Message -----

From: Mitchell Delk <mitchelldelk@comcast.net>
To: Suarez, Yolanda
Sent: Tue Feb 26 19:52:40 2008
Subject: good event tonight

Tonight's event went well. Ben and I talked to the Governor for about five to ten minutes. In a subsequent conversation with him, I had the opportunity to again underscore the need for and opportunity to modernize the tax incentives, without repealing the Jobs Act. He understood that the remaining tax opportunity to lure businesses to and enhance revenues for the USVI was to permit foreign-sourced income (obviously excluding US-sourced income) to be eligible for the favorable tax treatment. I even had the chance to point out that the "attributable to" standard (embedded in the Model Tax Treaty) was a way to eliminate the negative IRS precedents associated with the "effectively connected" standard and its inexplicable application to service industries. Donna was present - said she missed the Stanford event because she was not in the islands. I also talked with the lawyers who represent the USVI. Although it was a brief conversation, they were in agreement with the approach we are advocating - a policy recommendation I pointed out that is supported by a myriad of legitimate arguments. I will follow-up with them - history has shown them to be less than successful on many fronts. In any event, just a quick update.

EXHIBIT KVT-32

From: Walker, Kye
Sent: Wednesday, May 09, 2007 4:41 PM
To: Hodge, Julie
Subject: RE: Ben Barnes

Thanks. Feeling any better?

-----Original Message-----

From: Hodge, Julie
Sent: Wednesday, May 09, 2007 11:36 AM
To: Walker, Kye
Subject: Re: Ben Barnes

Done

----- Original Message -----

From: Walker, Kye
To: Hodge, Julie
Sent: Wed May 09 07:15:29 2007
Subject: Ben Barnes

Hi Julie-

Mr. Stanford asks that you contact Ben Barnes and tell him to stop talking to anyone (I believe he has spoken to someone at ESPN) about the media rights to Stanford 20/20.

Thanks,

Kye Walker

Senior Executive Assistant

Office of the Chairman

Stanford Financial Group

340.244.6536 mobile

EXHIBIT KVT-33

From: Hodge, Julie
Sent: Wednesday, May 09, 2007 2:19 PM
To: 'ben@benbarnesgroup.com'
Cc: 'smartin@benbarnesgroup.com'
Subject: Stanford 2020

Good morning Ben,

Mr. Stanford is requesting that you not speak to anyone else regarding TV Rights/Distribution for the Stanford 2020 Tournament. We are in the process of reviewing options internally.

Let me know if you have any queries.
Regards

Julie

EXHIBIT KVT-34

From: Stanford, Allen
Sent: Tuesday, December 19, 2006 2:47 AM
To: 'smartin@benbarnesgroup.com'
Cc: Hodge, Julie
Subject: Re: A Request from Ben Barnes

Done.

----- Original Message -----
From: Susan Martin <smartin@benbarnesgroup.com>
To: Stanford, Allen
Cc: Hodge, Julie
Sent: Mon Dec 18 17:07:37 2006
Subject: A Request from Ben Barnes

Allen –

Please overnight the DVD on the highlights of the cricket matches for me to receive Wednesday morning. The address to the hotel is as follows:

The Carlyle
35 E. 76th Street
New York, NY 10021
Phn: 212-744-1600

I'll be meeting with the president of ESPN Wednesday.

Ben

EXHIBIT KVT-35

From: Rhonda Kelly - Kelly Holding Ltd. [rhonda@kellyholding.com]
Sent: Friday, June 29, 2007 9:50 PM
To: Stanford, Allen
Cc: Walker, Kye; 'Laurie-Ann Holding'; Stoelker, Andrea
Subject: CUBA
Sir –

Excellent News! Ben Barnes just called and said that it looks like Cuba will be a go with a few stipulations and he was also trying to call you to let you know as well.

Basically he was saying their funds would have to be paid in-kind, which should not be a problem because I would assume this could be done in the form of equipment, facilities etc and possibly funding a coach etc for them.

Have a great weekend!

Rhonda

Rhonda Kelly
Event Director
Stanford 20/20
Office 345 623 8823
Mobile 345 329 4480
www.Stanford2020.com

From: Patsy Thomasson [pthomasson@benbarnesgroup.com]

Sent: Thursday, June 28, 2007 6:21 PM

To: rhonda@kellyholding.com

Cc: laurieann@kellyholding.com; Walker, Kye

Subject: RE: Stanford 2020

Your so good. When I sent this to someone else, I said we could rely on everything except your representation that Cuba would not win and use almost the same language you did.

pt

Patsy L. Thomasson
Ben Barnes Group
1215 19th Street, NW
Washington, DC 20036

202-467-1613 voice line
202-467-1625 fax line
202-297-8723 cell

From: Rhonda Kelly - Kelly Holding Ltd. [mailto:rhonda@kellyholding.com]

Sent: Thursday, June 28, 2007 12:49 PM

To: Patsy Thomasson

Cc: laurieann@kellyholding.com; 'Walker, Kye'

Subject: Stanford 2020

Hi Patsy –

I guess in regards to them winning I cannot guarantee they would not win – I guess ANYTHING is possible. However they are not traditionally a cricket country and we have teams in the tournament that have some of the best cricketers in the world on them so it is pretty much next to impossible they would be able to win the minimum of 4 matches required to do this.

Let me know if there is anything I can provide in this regard to help with the approval – thanks again.

Rhonda

Rhonda Kelly
Event Director
Stanford 20/20
Office 345 623 8823
Mobile 345 329 4480
www.Stanford2020.com

From: Patsy Thomasson [mailto:pthomasson@benbarnesgroup.com]

Sent: June 28, 2007 11:32 AM

To: rhonda@kellyholding.com

Subject: RE: test message

One other thing, Rhonda says that there is no way the Cubans win the first year they play; I am not sure that we can rely on this representation.

pt

Patsy L. Thomasson
Ben Barnes Group
1215 19th Street, NW
Washington, DC 20036

202-467-1613 voice line
202-467-1625 fax line
202-297-8723 cell

From: Rhonda Kelly - Kelly Holding Ltd. [mailto:rhonda@kellyholding.com]
Sent: Thursday, June 28, 2007 12:28 PM
To: Patsy Thomasson
Cc: 'Laurie-Ann Holding'; 'Walker, Kye'
Subject: RE: test message

Hi Again Patsy --

Attached is a breakdown showing the prize money and the development funds we discussed. I hope this is clear as I tried to make it simple but was converting it from the Government presentation which is very detailed.

Let me know whatever questions you have either by email or phone.

Thanks so much for your assistance!

Best Regards,

Rhonda

Rhonda Kelly
Event Director
Stanford 20/20
Office 345 623 8823
Mobile 345 329 4480
www.Stanford2020.com

From: Patsy Thomasson [mailto:pthomasson@benbarnesgroup.com]
Sent: June 28, 2007 10:20 AM
To: rhonda@kellyholding.com
Subject: test message

Patsy L. Thomasson
Ben Barnes Group
1215 19th Street, NW
Washington, DC 20036

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RECEIVER527-00256654

APP000259

202-467-1613 voice line
202-467-1625 fax line
202-297-8723 cell

From: Rhonda Kelly - Kelly Holding Ltd. [rhonda@kellyholding.com]
Sent: Thursday, June 28, 2007 6:14 PM
To: Stanford, Allen; laurieann@kellyholding.com
Cc: Walker, Kye
Subject: RE:

Mr. Barnes is waiting on a call back from the President of ESPN America who is in London and will let him know who we are already meeting with and advise if we need to meet with him as well. Based on the timeframe he is in agreement with chasing all the angles! He is going to call me back as soon as he hears from him and let me know.

Rhonda Kelly
Event Director
Stanford 20/20
Office 345 623 8823
Mobile 345 329 4480
www.Stanford2020.com

-----Original Message-----

From: Rhonda Kelly - Kelly Holding Ltd. [mailto:rhonda@kellyholding.com]
Sent: June 28, 2007 11:42 AM
To: 'Stanford, Allen'; 'laurieann@kellyholding.com'
Cc: 'Walker, Kye'
Subject: RE:

I just spoke with him and he is in a noisy location so I am to call him back in 20 minutes.

Rhonda Kelly
Event Director
Stanford 20/20
Office 345 623 8823
Mobile 345 329 4480
www.Stanford2020.com

-----Original Message-----

From: Stanford, Allen [mailto:ASanford@StanfordEagle.com]
Sent: June 28, 2007 11:09 AM
To: laurieann@kellyholding.com
Cc: rhonda@kellyholding.com; Walker, Kye
Subject:

Laurie Ann call Ben Barnes at 5124151414 he knows the head guy at ESPN out of NY who happens to be in London presently and can get you in touch with him. He is expecting your call.

On another note we are aggressively working on the Cuba/US issue. I want Cuba in the tournament.

Also all payments will go out tmr. RAS

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APP000261

From: Stanford, Allen
Sent: Wednesday, June 27, 2007 4:59 PM
To: Walker, Kye
Subject: Fw:

Also send me the telephone contact info for Susan RAS

----- Original Message -----
From: Stanford, Allen
To: Walker, Kye
Sent: Wed Jun 27 10:57:04 2007
Subject: Re:

Have Susan confirm this to Ben asap

----- Original Message -----
From: Walker, Kye
To: Stanford, Allen
Sent: Wed Jun 27 10:51:28 2007
Subject: RE:

Rhonda has dropped everything to put together a comprehensive package to Ben about next week's events and why we need Cuba in the tournament-she will send it within the hour. I spoke to Susan who will be expecting it then.

-----Original Message-----
From: Stanford, Allen
Sent: Wednesday, June 27, 2007 11:47 AM
To: Walker, Kye; 'rhonda@kellyholding.com'
Subject:

What is going on I talked to both of you over an hour ago and Ben Barnes office has not been in contact with or received any info on my call to the ESPN pres today. Do it now RAS

From: rhonda@kellyholding.com
Sent: Thursday, July 05, 2007 8:18 PM
To: Patsy Thomasson
Cc: peteromero@experioradvisory.com; Laurie-Ann Holding; Walker, Kye;
Rhonda Kelly
Subject: Re: state sponsored crickett in Cuba?

Hi Patsy

No problem I will get this done and sent to you right away. Should we say from the outset a plan to pay these in-kind as opposed to cash? Let me know. Thanks.

Rhonda Kelly
Mobile 345 329 4480

-----Original Message-----

From: "Patsy Thomasson" <pthomasson@benbarnesgroup.com>

Date: Thu, 5 Jul 2007 13:42:33
To: <rhonda@kellyholding.com>
Cc: <peteromero@experioradvisory.com>
Subject: RE: state sponsored crickett in Cuba?

Rhonda, we need to put together a letter application for the Cuban participation in the tournament. We could put the payment of the expenses of the Cuban team, the potential prize winning money, and the development monies all in one "ask" but we think it is probably cleaner to make two requests; one for the tournament and a different one for the development costs.

One of the things that will have to be spelled out clearly is who (what is the name of the entity) is making the payment for the expenses and who is making the check to the prize winners. Finally for the second application, for the development, we again will need to know the grantor of these funds.

Let me suggest that you all put the first draft together and we will polish it before it goes into the government.

I will send you a web site with directions in a separate e-mail but I think this pretty much covers what we have to do. If you have a problem with any of this, please do not hesitate to call.

pt

Patsy L. Thomasson
Ben Barnes Group
1215 19th Street, NW
Washington, DC 20036

202-467-1613 voice line
202-467-1625 fax line
202-297-8723 cell

-----Original Message-----

From: Rhonda Kelly - Kelly Holding Ltd. [mailto:rhonda@kellyholding.com]
Sent: Tuesday, July 03, 2007 9:40 AM
To: Patsy Thomasson
Cc: 'Laurie-Ann Holding'
Subject: RE: state sponsored crickett in Cuba?

Yes it is all done through the Government. The department is called INDER and stands for: Sports, Physical Education and Recreation National Institution.

Rhonda Kelly
Event Director
Stanford 20/20
Office 345 623 8823
Mobile 345 329 4480
www.Stanford2020.com

-----Original Message-----

From: pthomasson@benbarnesgroup.com [mailto:pthomasson@benbarnesgroup.com]
Sent: July 3, 2007 8:03 AM
To: rhonda@kellyholding.com
Subject: Re: state sponsored crickett in Cuba?

Are they government sponsored?
Sent via BlackBerry from Cingular Wireless

-----Original Message-----

From: "Rhonda Kelly - Kelly Holding Ltd." <rhonda@kellyholding.com>

Date: Mon, 2 Jul 2007 20:06:24
To: "'Patsy Thomasson'" <pthomasson@benbarnesgroup.com>
Cc: "'Laurie-Ann Holding'" <laurieann@kellyholding.com>, "'Walker, Kye'" <KWalker@StanfordEagle.com>
Subject: RE: state sponsored crickett in Cuba?

Hi Patsy,

Yes it does. They have a youth cricket programme and compete in ICC (International Cricket Council) Tournaments featuring teams that fall within the Americas.

Let me know what else you need to know - looking forward to a confirmation.

Thanks!

Rhonda

Rhonda Kelly
Event Director
Stanford 20/20
Office 345 623 8823
Mobile 345 329 4480
www.Stanford2020.com

From: Sent: To: Subject:

Does this exist at this time?

pt

Patsy L. Thomasson
Ben Barnes Group
1215 19th Street, NW
Washington, DC 20036

202-467-1613 voice line
202-467-1625 fax line

202-297-8723 cell

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APP000265

July 31st, 2009

Mr. Adam Szubin
Director
Office of Foreign Assets Control
Treasury Building Annex
Second Floor
Pennsylvania Avenue and Madison Place, NW
Washington, DC 20220

Dear Mr. Szubin

In the past few weeks, we have had visits with representatives of the State Department and a representative of the Office of Foreign Assets Control relative to our desire to have Cuba participate in the January 2008 Stanford 20/20 Caribbean Cricket Tournament. They suggested that we seek a license from your office to facilitate these activities as they relate to Cuba. Based on their suggestions and our understanding of the policies and regulations, we have tried to provide herein all of the data pertinent to the 2008 tournament, and moreover, our long term commitment to cricket in the Caribbean and it being a catalyst for a resurgence of love for the game and its return to the glory days.

Cricket is to the Caribbean as football was to the State of Texas when I was growing up. At Stanford 20/20, we see West Indies cricket as an almost tangible force that can be utilized to unify an entire country, and entire group of people, and potentially the entire Caribbean Basin. Not unlike little league baseball in America, we know and understand that for the sport to prosper we need a new approach; we need to provide an environment for young, talented, up-and-coming players that will keep them motivated and interested in developing their careers.

To build and enhance this atmosphere, we are providing support in a number of ways to all of the countries who are participating in the Stanford 20/20 Cricket tournament. We have constructed a world class cricket stadium and complex in St. Johns, Antigua. It serves as the centerpiece of cricket activity in Antigua.

With regard to the January 2008 Stanford 20/20 Cricket Tournament, we propose that all participating teams be treated in the same manner. The tournament will bear all travel costs, the uniforms costs, and equipment associated with and used in the tournament by all participating teams. All items will be provided in-kind and go directly to the teams and players. Stanford 20/20 proposes to treat the Cuban team in the same manner as all other participating teams and players pending a green light on the license request.

The tournament will feature twenty-one Caribbean teams vying for a million dollar US cash prize for first place in the single elimination tournament and \$500,000 US to the second place team. There are also prizes of US\$25,000 and US\$10,000 for Man of the Match and Play of the Match in each of the games. It is our belief some young Cubans are now participating in organized cricket but to date they have not developed an aggressive program such as they have for baseball and boxing. It is very unlikely that Should the Cuban cricket team will or any of its individual players win any prizes, however, in the unlikely event that they do win the tournament, the event will be structured so that the Cubans are not winning any monies such prizes will be awarded in-kind in lieu of cash so that no actual monies are awarded to the Cuban nationals, as we are mindful of the restrictions on U.S. dollars to the Cuban government. It is our belief some young Cubans are now participating in organized cricket but to date they have not developed an aggressive program such as they have for baseball and boxing.

Stanford 20/20 would appreciate very much the opportunity to work with your office to work through all of the necessary steps to be awarded a license to facilitate Cuban participation in the tournament. This would make the tournament a true Caribbean wide event and the entire region would benefit from the games.

Thank you for your assistance in this regard. We would be grateful to have the opportunity to meet with you about this project as soon as possible.

Sincerely,

Sir Allen Stanford

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APP000268

From: Walker, Kye
Sent: Tuesday, July 31, 2007 2:44 PM
To: Hodge, Julie
Subject: RE: Treasury Letter

Attachments: draft letter to treasury 5 7102007.doc

No problem. Its attached-if he does a major re-write, it should be passed through Ben Barnes or Pete Romero. He probably doesn't agree, but they are the ones in contact with the Treasury and know how the letter should be drafted.

From: Hodge, Julie
Sent: Tuesday, July 31, 2007 9:42 AM
To: Walker, Kye
Subject: Treasury Letter

Can you send me the version of the letter you have just so I can familiarize myself with what needs to be covered...just in case. Thanks.

From: Hodge, Julie
Sent: Thursday, August 30, 2007 6:27 PM
To: Laurie-Ann Holding; rhonda@kellyholding.com
Subject: FW: Cuba - Letter to Office of Foreign Assets Control
FYI

From: Susan Martin [mailto:smartin@benbarnesgroup.com]
Sent: Thursday, August 30, 2007 12:44 PM
To: Hodge, Julie
Cc: Walker, Kye
Subject: RE: Cuba - Letter to Office of Foreign Assets Control

Julie --

We have verified that the Treasury Department has in fact received the letter. The request is currently under review, and we plan to visit with the Department after Labor Day at the Department's suggestion.

Susan

From: Hodge, Julie [mailto:JHodge@StanfordEagle.com]
Sent: Thursday, August 30, 2007 11:24 AM
To: Susan Martin
Cc: Susan Martin; Walker, Kye
Subject: FW: Cuba - Letter to Office of Foreign Assets Control
Importance: High

Ben/Susan,

We have not received a response from the US Office of Foreign Assets Control to our letter of August 1, copy attached, which was delivered to them on August 3, regarding Cuba's participation in the upcoming Stanford 20/20 Cricket Tournament. Can you follow up with them to see if they received the letter and what the status is? I am noticing that there is not a physical mailing address on the letterhead, just an email address, so perhaps this might be a reason for non-response?

Please advise.

Thanks

Julie

From: Hodge, Julie
Sent: Thursday, August 02, 2007 12:00 PM
To: Alvarado, Mauricio; Suarez, Yolanda; Davis, James; ben@benbarnesgroup.com; peteromero@experioradvisory.com
Subject: Cuba - Letter to Office of Foreign Assets Control

See attached forwarded at the request of Mr. Stanford, being a letter that was sent via Fedex yesterday to the Office of Foreign Assets Control regarding Cuba's participation in the upcoming Stanford 20/20 Tournament.

Regards

Julie

From: Walker, Kye
Sent: Wednesday, September 05, 2007 8:33 PM
To: Hodge, Julie
Subject: RE: Cuba
Great!!

From: Hodge, Julie
Sent: Wednesday, September 05, 2007 3:31 PM
To: Stoelker, Andrea
Cc: Stanford, Allen; Walker, Kye
Subject: Cuba

Ben Barnes just called and advise that he got approval from the State Department for Cuba and now it just has to go to Treasury, which he said will go through....and will advise further on that. But basically wanted you to know that Cuba will be approved.

From: Walker, Kye
Sent: Tuesday, September 18, 2007 10:56 PM
To: Hodge, Julie; 'rhonda@stanford2020.com'; Helguera, Roberto; Lugo, Denise; Tello, Ana
Cc: 'Bev@Stanford2020.com'; 'laurieann@stanford2020.com'; Stoelker, Andrea
Subject: Re: Letter for Stanford 20/20 - Translation Needed

Will do

----- Original Message -----

From: Hodge, Julie
To: 'rhonda@stanford2020.com' <rhonda@stanford2020.com>; Helguera, Roberto; Lugo, Denise; Tello, Ana
Cc: 'Bev@Stanford2020.com' <Bev@Stanford2020.com>; 'laurieann@stanford2020.com' <laurieann@stanford2020.com>; Walker, Kye; Stoelker, Andrea
Sent: Tue Sep 18 15:55:00 2007
Subject: Re: Letter for Stanford 20/20 - Translation Needed

Kye,

Do you think you can run this by Ben tomorrow while he is in St. Croix just to ensure he's aware and has no issue? He can also update where we are.

----- Original Message -----

From: Rhonda Kelly <rhonda@stanford2020.com>
To: Helguera, Roberto; Lugo, Denise; Tello, Ana
Cc: 'Bev Sinclair, Stanford 20/20' <Bev@Stanford2020.com>; 'Laurie-Ann Holding' <laurieann@stanford2020.com>; Walker, Kye; Hodge, Julie; Stoelker, Andrea
Sent: Tue Sep 18 15:08:36 2007
Subject: RE: Letter for Stanford 20/20 - Translation Needed

Thanks Roberto

Kye/Julie – should I send this on to Peter Romero or Ben Barnes office? I am not sure where we are with the State Department approval, but I am happy to send this for review since I really want to get it to them as soon as possible. Let me know.

Rhonda Kelly

Event Director

Stanford 20/20

Office 345 623 8823

Mobile 345 329 4480

www.Stanford2020.com

From: Helguera, Roberto [<mailto:RHelguera@StanfordEagle.com>]

Sent: September 18, 2007 3:02 PM
To: Lugo, Denise; Rhonda Kelly; Tello, Ana
Cc: Bev Sinclair, Stanford 20/20; Laurie-Ann Holding; Walker, Kye; Hodge, Julie; Stoelker, Andrea
Subject: RE: Letter for Stanford 20/20 - Translation Needed

Rhonda,

Legally I have no objections, although I must make the disclaimer that I am not familiar with the specifics of what the US government requires to clear OFAC regulations on Cuba other than not paying them money. Make sure our external advisors on that matter are ok with the contents of the letter. I would like to see the Spanish translation when it is finished to compare it to the English version. Thank you.

Roberto

From: Lugo, Denise
Sent: Tuesday, September 18, 2007 11:52 AM
To: Rhonda Kelly; Tello, Ana
Cc: 'Bev Sinclair, Stanford 20/20'; 'Laurie-Ann Holding'; Walker, Kye; Helguera, Roberto; Hodge, Julie; Stoelker, Andrea
Subject: RE: Letter for Stanford 20/20 - Translation Needed

Hi Rhonda,

I'll send you the letter in Spanish this afternoon, works for you?

Regards,

Denise

From: Rhonda Kelly [<mailto:rhonda@stanford2020.com>]
Sent: Martes, 18 de Septiembre de 2007 12:39 p.m.
To: Lugo, Denise; Tello, Ana
Cc: 'Bev Sinclair, Stanford 20/20'; 'Laurie-Ann Holding'; Walker, Kye; Helguera, Roberto; Hodge, Julie; Stoelker, Andrea
Subject: RE: Letter for Stanford 20/20 - Translation Needed

Hi Denise –

Attached is the letter we need to send off to Cuba per Laurie-Ann's email. We need to get it

translated please? I told them we would send both the English and Spanish versions.

Also – Kye/Julie can you have Mr. Stanford approve please? They wanted a very comprehensive letter and this has been done based specifically on what they told us needed to be in it.

Roberto – legal ok???

Thanks!

Rhonda

Rhonda Kelly

Event Director

Stanford 20/20

Office 345 623 8823

Mobile 345 329 4480

www.Stanford2020.com

From: Laurie-Ann Holding [<mailto:laurieann@kellyholding.com>]
Sent: September 18, 2007 8:39 AM
To: 'Lugo, Denise'; 'Tello, Ana'
Cc: rhonda@kellyholding.com; 'Bev Sinclair - Kelly Holding Ltd.'
Subject: Letter for Stanford 20/20 - Translation Needed

Hi Denise,

We have a letter we have to get translated for Cuba who are playing in the next 20/20. Can you assist with getting this done through the person you use in Venezuela and let us know the costs and how to pay from 20/20?

Thanks!

LA

Laurie-Ann Holding

Kelly Holding Ltd.

Tel: 345.946.8822

Fax: 345.946.8811

Mobile: 345.329.5000

Email: laurieann@kellyholding.com

Website: www.kellyholding.com

Look out for exciting information on the next Stanford 20/20 Tournament!

From: Rhonda Kelly - Kelly Holding Ltd. [rhonda@kellyholding.com]
Sent: Thursday, October 11, 2007 8:13 PM
To: 'Patsy Thomasson'; Hodge, Julie; peteromero@experioradvisory.com
Cc: laurieann@kellyholding.com; Hill, Karen
Subject: RE: Cuba OFAC Letter

Hi Patsy -

As discussed we are not proposing to ever give them any funding as we do with the other countries. We would like to support their cricket with equipment, coaching etc but that would not need to happen before they participate in the tournament as we do not want to hold up the most essential aspect of the programme and that is getting their team to play in the tournament.

Let me know if you need to know anything else - I am in my office and online for the rest of the day.

Thanks!

Rhonda

Rhonda Kelly
Event Director
Stanford 20/20
Office 345 623 8823
Mobile 345 329 4480
www.Stanford2020.com

-----Original Message-----

From: Patsy Thomasson [mailto:pthomasson@benbarnesgroup.com]
Sent: October 11, 2007 2:00 PM
To: Hodge, Julie; peteromero@experioradvisory.com
Cc: laurieann@kellyholding.com; rhonda@kellyholding.com; Hill, Karen
Subject: RE: Cuba OFAC Letter

Treasury wants to know what we are planning on doing with Cuba regarding support of their teams like we are doing in the other Caribbean countries. I think the answer is that we are not proposing to pay them in the same manner because of the law but I would like to make sure before I call him back.

pt

Patsy Thomasson

Ben Barnes Group
1215 19th Street NW
Washington, DC 20036

202-467-1613 office
202-467-1625 fax
202-297-8723 cell

-----Original Message-----

From: Hodge, Julie [mailto:JHodge@StanfordEagle.com]
Sent: Thursday, October 11, 2007 2:57 PM
To: Patsy Thomasson; peteromero@experioradvisory.com
Cc: laurieann@kellyholding.com; rhonda@kellyholding.com; Hill, Karen
Subject: Re: Cuba OFAC Letter

Can you email me the question? Am in a meeting for the nxt hour or so.

----- Original Message -----

From: Patsy Thomasson <pthomasson@benbarnesgroup.com>
To: Hodge, Julie; peteromero@experioradvisory.com <peteromero@experioradvisory.com>
Cc: Laurie-Ann Holding <laurieann@kellyholding.com>; rhonda@kellyholding.com
<rhonda@kellyholding.com>; Hill, Karen
Sent: Thu Oct 11 13:54:43 2007
Subject: RE: Cuba OFAC Letter

Julie, can you call me, I have a question that I need to get an answer for Treasury.

pt

Patsy Thomasson

Ben Barnes Group
1215 19th Street NW
Washington, DC 20036

202-467-1613 office
202-467-1625 fax
202-297-8723 cell

From: Hodge, Julie [<mailto:JHodge@StanfordEagle.com>]
Sent: Wednesday, October 10, 2007 2:45 PM
To: peteromero@experioradvisory.com
Cc: Patsy Thomasson; Laurie-Ann Holding; rhonda@kellyholding.com; Hill, Karen
Subject: Cuba OFAC Letter

Pete

Further to our conversation, attached is the letter that Allen sent to OFAC. Please update us as soon as you have any further word from the State Department. Timing is becoming critical for us to get official approval, as we begin our advertising campaign next week which features Cuba quite prominently, plus we have meetings in Cuba the first week of November to finalize all of the arrangements.

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Just in the interest of full disclosure, not that I think it will be an issue, there are some payments for travel and accommodation that might be made by a US registered company, but they are not being paid to Cuba, they are being paid directly to the airlines and the hotels etc. No payments whatsoever will be made to Cuba.

Please let me know if you have any queries or if there is anything that you need from us to speed up this process and we look forward to hearing from you shortly.

Regards

Julie

From: Rhonda Kelly - Kelly Holding Ltd. [rhonda@kellyholding.com]
Sent: Friday, October 12, 2007 10:07 PM
To: Hodge, Julie
Cc: 'Patsy Thomasson'
Subject: RE: questions from Antonio Cabral at Treasury

Attachments: letter to US Treasury.pdf

Oops! More haste less speed -- hope this isn't too late OR he is not easily offended☺

Rhonda Kelly
Event Director
Stanford 20/20
Office 345 623 8823
Mobile 345 329 4480
www.Stanford2020.com

From: Hodge, Julie [mailto:JHodge@StanfordEagle.com]
Sent: October 12, 2007 3:50 PM
To: rhonda@kellyholding.com
Subject: RE: questions from Antonio Cabral at Treasury

Hey Rhonda, should be Antonio

From: Rhonda Kelly - Kelly Holding Ltd. [mailto:rhonda@kellyholding.com]
Sent: Friday, October 12, 2007 4:47 PM
To: 'Patsy Thomasson'; Hodge, Julie
Subject: RE: questions from Antonio Cabral at Treasury

Hi Patsy --

Here you go!

Thanks!

Rhonda

Rhonda Kelly
Event Director
Stanford 20/20
Office 345 623 8823
Mobile 345 329 4480
www.Stanford2020.com

From: Patsy Thomasson [mailto:pthomasson@benbarnesgroup.com]
Sent: October 12, 2007 3:26 PM
To: Hodge, Julie
Cc: rhonda@kellyholding.com
Subject: RE: questions from Antonio Cabral at Treasury

Julie, he wants the information in my e-mail in the form of a letter. Do you have a problem with me signing on behalf of

Stanford 20/20? He says he is fine with it coming from me.

But if I could get something from Stanford 20/20 quickly, I think that is better but it has to be quick.

pt

pt

Patsy Thomasson

Ben Barnes Group
1215 19th Street NW
Washington, DC 20036

202-467-1613 office
202-467-1625 fax
202-297-8723 cell

From: Hodge, Julie [mailto:JHodge@StanfordEagle.com]
Sent: Friday, October 12, 2007 4:11 PM
To: Patsy Thomasson
Subject: RE: questions from Antonio Cabral at Treasury

Ok Patsy, just change Alan to Allen.

From: Patsy Thomasson [mailto:pthomasson@benbarnesgroup.com]
Sent: Friday, October 12, 2007 3:58 PM
To: Hodge, Julie
Subject: RE: questions from Antonio Cabral at Treasury

I just talked with Pete Romero and he was fine with it. I asked if he thought we should be more nuanced and he thought not.

pt

Patsy Thomasson

Ben Barnes Group
1215 19th Street NW
Washington, DC 20036

202-467-1613 office
202-467-1625 fax
202-297-8723 cell

From: Patsy Thomasson
Sent: Friday, October 12, 2007 3:57 PM
To: 'Jhodge@stanfordeagle.com'
Subject: RE: questions from Antonio Cabral at Treasury

Have not heard from you. am not sending until I hear from you.

pt

Patsy Thomasson

Ben Barnes Group
1215 19th Street NW
Washington, DC 20036

202-467-1613 office
202-467-1625 fax
202-297-8723 cell

From: Patsy Thomasson
Sent: Friday, October 12, 2007 3:19 PM
To: 'Jhodge@stanfordeagle.com'
Cc: 'peteromero@experioradvisory.com'; Susan Martin
Subject: questions from Antonio Cabral at Treasury

All, I need for you to look at this at soon as possible. I want to get this back to Antonio asap.

thanks

pt

Antonio,

All of the activities for the cricket tournament are organized and supervised by Stanford 20/20 LLC, which is registered in the U. S. Virgin Islands. Mr. Alan Stanford owns the majority of the company. All funds for the operations of the cricket activities are funded through Stanford 20/20 LLC. The banking activities are managed through banks in the U. S. Virgin Islands.

The management of the Stanford 20/20 cricket activities are directed by foreign nationals through third party contracts. All cricket matches will happen in Antigua.

I believe this answers all of your questions from earlier this afternoon.

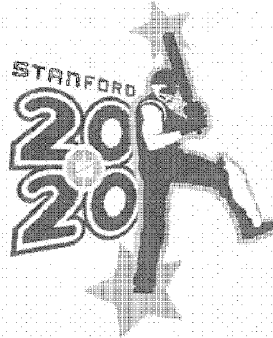
Let me know what else I may need to provide you.

pt

Patsy Thomasson

Ben Barnes Group
1215 19th Street NW
Washington, DC 20036

202-467-1613 office
202-467-1625 fax
202-297-8723 cell



12th October 2007

Mr. Antonio Cabral
US Department of Treasury
Treasure Building Annex
Pennsylvania Avenue & Madison Place West
Washington, DC 20220

Dear Mr. Cabral,

Further to your conversations with Patsy Thomasson of Ben Barnes Group this is to confirm that all of the activities for the Stanford 20/20 cricket tournament are organized and supervised by Stanford 20/20 LLC, which is registered in the U. S. Virgin Islands.

Mr. Allen Stanford owns the majority of the company. All funds for the operations of the cricket activities are funded through Stanford 20/20 LLC. The banking activities are managed through banks in the U. S. Virgin Islands.

The management of the Stanford 20/20 cricket activities are directed by foreign nationals through third party contracts. All cricket matches will happen in Antigua.

Please do not hesitate to contact me if you require any further clarifications.

Sincerely

A handwritten signature in cursive script that reads 'Rhonda Kelly'.

Rhonda Kelly
Event Director
Stanford 20/20

Stanford 20/20
No. 11 Pavilion Drive * Coolidge * Antigua * West Indies
Tel: 345.623.8823 * Fax: 345.946.8811
Email: info@Stanford2020.com * Web: www.Stanford2020.com

From: Rhonda Kelly - Kelly Holding Ltd. [rhonda@kellyholding.com]
Sent: Tuesday, October 16, 2007 9:01 PM
To: 'Patsy Thomasson'; Hodge, Julie; peteromero@experioradvisory.com; Hill, Karen
Cc: 'Susan Martin'; 'Wyeth Wiedeman'; 'laurieann Holding'
Subject: RE: 20/20
Hi Patsy –

Obviously this is something you would best advise us on. From our perspective it would be a nightmare to have to remove them from the tournament at this stage – they are integrated in all the promotional materials and not to mention scheduled to be in the first match. Do you think this is a possibility?

Rhonda

Rhonda Kelly
Event Director
Stanford 20/20
Office 345 623 8823
Mobile 345 329 4480
www.Stanford2020.com

From: Patsy Thomasson [mailto:pthomasson@benbarnesgroup.com]
Sent: October 16, 2007 1:56 PM
To: Hodge, Julie; peteromero@experioradvisory.com; Hill, Karen
Cc: rhonda@kellyholding.com; Susan Martin; Wyeth Wiedeman
Subject: 20/20

About 20 minutes ago I spoke with Ambassador Pete Romero who asked that I pass the information on to you. This morning Pete reports that he spoke with David McFarland at State Department regarding the Stanford request. State did receive the additional information that we submitted through Treasury (Stanford to Treasury on Friday; Treasury to State on Monday.) State Department has determined that a license is require (which we thought all along). McFarland has committed to Pete that he will try to get all of the sign-offs from the lower levels of State by tomorrow so that it can go to the Assistant Secretary Tom Shannon who will do the final sign off.

Question:

When Shannon has either approved or disapproved, the information will go back to Treasury. The question is whether we want ambassador Romero to raise the question with Assistant Secretary Shannon before he sees it or do we want to continue to let it take a lower profile and believe that it will be okay. The lower level staff was not willing to give Pete a definitive answer about their recommendations.

Alternative to Ambassador Romero asking the question before the information goes to Shannon is to let the request make its way through State without calling any additional information to it and if they do not recommend to Treasury, ask our contacts at Treasury **not** to make a final decision until we can get a firm handle on State's objections and see if we can over come the objections.

Clearly, this is not an easy decision but we think that it would probably be helpful to have Ambassador Romero let Assistant Secretary Shannon know that it is on the way to him through the State Department "chop" process. Just a heads up, not a pressure call.

Julie, Ambassador Romero lands between 3:00 and 4:00 p.m. EST and will call me during this period. We could conference us together to discuss the appropriate next step. What do you think?

pt

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Patsy Thomasson

Ben Barnes Group
1215 19th Street NW
Washington, DC 20036

202-467-1613 office
202-467-1625 fax
202-297-8723 cell

Patsy Thomasson

Ben Barnes Group
1215 19th Street NW
Washington, DC 20036

202-467-1613 office
202-467-1625 fax
202-297-8723 cell

From: Patsy Thomasson [pthomasson@benbarnesgroup.com]
Sent: Friday, October 26, 2007 3:48 PM
To: rhonda@kellyholding.com; peteromero@experioradvisory.com
Cc: Hodge, Julie; Hill, Karen; Susan Martin; Wyeth Wiedeman; Laurie-Ann Holding
Subject: RE: 20/20

Rhonda, Pete is right on target with what he said last night or early this morning.

I have e-mails and calls into Treasury again this morning. Have not gotten any feed back yet but will stay on top of it today.

thanks

pt

Patsy Thomasson

Ben Barnes Group
1215 19th Street NW
Washington, DC 20036

202-467-1613 office
202-467-1625 fax
202-297-8723 cell

-----Original Message-----

From: Rhonda Kelly - Kelly Holding Ltd. [mailto:rhonda@kellyholding.com]

Sent: Friday, October 26, 2007 12:26 AM
To: peteromero@experioradvisory.com
Cc: 'Hodge, Julie'; Patsy Thomasson; 'Hill, Karen'; Susan Martin; Wyeth Wiedeman; 'Laurie-Ann Holding'
Subject: RE: 20/20

Thank you very much - my fingers (toes and eyes) are crossed!!

Rhonda Kelly
Event Director
Stanford 20/20
Office 345 623 8823
Mobile 345 329 4480
www.Stanford2020.com

-----Original Message-----

From: peteromero@experioradvisory.com
[mailto:peteromero@experioradvisory.com]
Sent: October 25, 2007 11:13 PM
To: rhonda@kellyholding.com
Cc: 'Hodge, Julie'; 'Patsy Thomasson'; 'Hill, Karen'; 'Susan Martin'; 'Wyeth Wiedeman'
Subject: RE: 20/20

Rhonda: We have known that it (the State dep't's advisory opinion) has been at Treasury for two or three days now. Treasury makes the final determination and then tells us specifically why we can or cannot do this. While they do not have to side with State, they usually do, unless State is split, in which case they are relatively free to take whatever side they choose. I suspect that President Bush's recent hardline speech in Miami (against the Castro Regime) is having an impact (at least on the quantity of people at State and Treasury that are being consulted on the

issue). Patsy has left several calls and been promised an official response (now overdue). They really should get back to us at any time now. Pete

Quoting "Rhonda Kelly - Kelly Holding Ltd."
<rhonda@kellyholding.com>:

> Hi Pete -

>

> Checking in again - anything? Thanks.

>

> Rhonda

>

> Rhonda Kelly

> Event Director

> Stanford 20/20

> Office 345 623 8823

> Mobile 345 329 4480

> www.Stanford2020.com

>

> -----Original Message-----

> From: peteromero@experioradvisory.com

> [<mailto:peteromero@experioradvisory.com>]

> Sent: October 19, 2007 10:42 AM

> To: Hodge, Julie

> Cc: Patsy Thomasson; Hill, Karen; rhonda@kellyholding.com; Susan Martin;

> Wyeth Wiedeman

> Subject: RE: 20/20

>

> All: I have a call into David McFarland at State to see if the papers

> went back to Treasury. Pete Quoting "Hodge, Julie"

> <JHodge@StanfordEagle.com>:

>

>> Patsy/Pete.....any updates?

>>

>>

>>

>>

>>

>> From: Patsy Thomasson [<mailto:pthomasson@benbarnesgroup.com>]

>> Sent: Wednesday, October 17, 2007 4:03 PM

>> To: Hodge, Julie; peteromero@experioradvisory.com; Hill, Karen

>> Cc: rhonda@kellyholding.com; Susan Martin; Wyeth Wiedeman

>> Subject: RE: 20/20

>>

>>

>>

>> I just got off the phone with Peter Romero who is in between
>> speeches and he had just talked with Tom Shannon, the Assistant
>> Secretary of State.

>>

>> He began by having some discussions that he felt might soften
>> him somewhat before he discussed our issue.

>>

>> Then he basically went for three points

>>

>> * Pete provided the background of having been working on this
>> since July when we had our first conversations with State and

Treasury

>> officials in which we made perfect clear to both agencies that we wanted
>> to work with them on this and to make sure that they had what they
>> needed, etc

>>
>> * He discussed the process and how it really does not allow for
>> our input throughout the process

>>
>> * Finally he praised them for the work that has been going on
in
>> the last ten days but before that we had not had any action so to
speak.

>>
>> Then Pete went through what we are asking with Shannon about
how
>> we would be treating the Cubans and the gist of our application.

>>
>> Shannon told Pete that "sounded like a reasonable request"
and
>> that he would find the draft as soon as he got off the phone.

>>
>> This is encouraging but not/not an answer yet.

>>
>> We will stay on top of it.

>>
>> pt

>>
>> Patsy Thomasson

>>
>> Ben Barnes Group

>>
>> 1215 19th Street NW

>>
>> Washington, DC 20036

>>
>> 202-467-1613 office

>>
>> 202-467-1625 fax

>>
>> 202-297-8723 cell

>>
>> -----Original Message-----

>> From: Hodge, Julie [<mailto:JHodge@StanfordEagle.com>]

>> Sent: Tuesday, October 16, 2007 3:22 PM

>> To: Patsy Thomasson; peteromero@experioradvisory.com; Hill, Karen

>> Cc: rhonda@kellyholding.com; Susan Martin; Wyeth Wiedeman

>> Subject: Re: 20/20

>>
>> Let's conference this afternoon.

>>
>>
>>
>> ----- Original Message -----

>>
>> From: Patsy Thomasson <pthomasson@benbarnesgroup.com>

>>
>> To: Hodge, Julie; peteromero@experioradvisory.com

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RECEIVER527-00278848

APP000287

>> <peteromero@experioradvisory.com>; Hill, Karen
>>
>> Cc: rhonda@kellyholding.com <rhonda@kellyholding.com>; Susan Martin
>> <smartin@benbarnesgroup.com>; Wyeth Wiedeman
>> <wwiedeman@benbarnesgroup.com>
>>
>> Sent: Tue Oct 16 13:55:51 2007
>>
>> Subject: 20/20
>>
>> About 20 minutes ago I spoke with Ambassador Pete Romero who asked
that
>> I pass the information on to you. This morning Pete reports that he
>> spoke with David McFarland at State Department regarding the Stanford
>> request. State did receive the additional information that we
submitted
>> through Treasury (Stanford to Treasury on Friday; Treasury to State
on
>> Monday.) State Department has determined that a license is require
>> (which we thought all along). McFarland has committed to Pete that
he
>> will try to get all of the sign-offs from the lower levels of State
by
>> tomorrow so that it can go to the Assistant Secretary Tom Shannon who
>> will do the final sign off.
>>
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>>
>> Question:
>>
>>
>>
>> When Shannon has either approved or disapproved, the information will
go
>> back to Treasury. The question is whether we want ambassador Romero
to
>> raise the question with Assistant Secretary Shannon before he sees it
or
>> do we want to continue to let it take a lower profile and believe
that
>> it will be okay. The lower level staff was not willing to give Pete
a
>> definitive answer about their recommendations.
>>
>>
>>
>> Alternative to Ambassador Romero asking the question before the
>> information goes to Shannon is to let the request make its way
through
>> State without calling any additional information to it and if they do
>> not recommend to Treasury, ask our contacts at Treasury not to make a
>> final decision until we can get a firm handle on State's objections
and
>> see if we can over come the objections.
>>
>>
>>
>> Clearly, this is not an easy decision but we think that it would

>> probably be helpful to have Ambassador Romero let Assistant Secretary
>> Shannon know that it is on the way to him through the State
Department
>> "chop" process. Just a heads up, not a pressure call.
>>
>>
>>
>> Julie, Ambassador Romero lands between 3:00 and 4:00 p.m. EST and
will
>> call me during this period. We could conference us together to
discuss
>> the appropriate next step. What do you think?
>>
>>
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>> pt
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>> Patsy Thomasson
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>> Ben Barnes Group
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>> 1215 19th Street NW
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>> Washington, DC 20036
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> --
> Ambassador Peter F. Romero
> Experior Advisory
> peteromero@experioradvisory.com
> 202-776-7723-office
>
>
>

--
Ambassador Peter F. Romero
Experior Advisory
peteromero@experioradvisory.com
202-776-7723-office

From: Patsy Thomasson [pthomasson@benbarnesgroup.com]

Sent: Tuesday, October 30, 2007 7:24 PM

To: Hodge, Julie

Subject: String of e-mails from Antonio today

Ben wanted to make sure that Mr. Stanford was aware of this string of e-mails today.

I continue to pursue Mr. Cabral as aggressively as I dare.

pt

Patsy Thomasson

Ben Barnes Group
1215 19th Street NW
Washington, DC 20036

202-467-1613 office
202-467-1625 fax
202-297-8723 cell

From: Antonio.Cabral@do.treas.gov [mailto:Antonio.Cabral@do.treas.gov]

Sent: Tuesday, October 30, 2007 2:23 PM

To: Patsy Thomasson

Subject: RE: Good Morning

no, unfortunately it wouldn't help. She's already reviewed it.

-----Original Message-----

From: Patsy Thomasson [mailto:pthomasson@benbarnesgroup.com]

Sent: Tuesday, October 30, 2007 1:24 PM

To: Cabral, Antonio

Subject: RE: Good Morning

Would it help you if I called Clara David directly? If you will remember she is the first person that we discussed this application with at Treasury back about the first of August. I just thought we might consider it since we don't seem to be getting anywhere fast.

Let me know what you think.

pt

Patsy Thomasson

Ben Barnes Group
1215 19th Street NW
Washington, DC 20036

202-467-1613 office
202-467-1625 fax
202-297-8723 cell

From: Antonio.Cabral@do.treas.gov [mailto:Antonio.Cabral@do.treas.gov]

Sent: Tuesday, October 30, 2007 10:27 AM

To: Patsy Thomasson

Subject: RE: Good Morning

Good morning Patsy,

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APP000291

I don't know what the hold up is with my supervisors...but I will check in with them this afternoon.

Regards,
Antonio

-----Original Message-----

From: Patsy Thomasson [mailto:pthomasson@benbarnesgroup.com]

Sent: Tuesday, October 30, 2007 10:24 AM

To: Cabral, Antonio

Subject: Good Morning

Good morning, I hope today is good for both of us – I look forward to hearing from you at your earliest convenience.

thanks

pt

Patsy Thomasson

Ben Barnes Group
1215 19th Street NW
Washington, DC 20036

202-467-1613 office
202-467-1625 fax
202-297-8723 cell

=0

=0

From: Patsy Thomasson [pthomasson@benbarnesgroup.com]
Sent: Thursday, November 01, 2007 9:32 PM
To: rhonda@kellyholding.com
Cc: Hodge, Julie; Hill, Karen; Susan Martin; Wyeth Wiedeman; Laurie-Ann Holding
Subject: RE: 20/20

Rhonda and all

I am sorry that I did not communicate with you all yesterday.
The Treasury Department told us that our application will not be approved for the Cubans to play in the tournament.

We do not have an official answer and spokesmen for Treasury say they don't know when we will have an official answer. (they are very busy on Rangoon and Iran.)

Mr. Barnes and Mr. Stanford have spoken and are thinking through next steps.

If you have any questions, I am glad to try to answer them; Treasury was pretty discouraging.

pt

Patsy Thomasson

Ben Barnes Group
1215 19th Street NW
Washington, DC 20036

202-467-1613 office
202-467-1625 fax
202-297-8723 cell

-----Original Message-----

From: Rhonda Kelly - Kelly Holding Ltd. [mailto:rhonda@kellyholding.com]

Sent: Friday, October 26, 2007 12:26 AM
To: peteromero@experioradvisory.com
Cc: 'Hodge, Julie'; Patsy Thomasson; 'Hill, Karen'; Susan Martin; Wyeth Wiedeman; 'Laurie-Ann Holding'
Subject: RE: 20/20

Thank you very much - my fingers (toes and eyes) are crossed!!

Rhonda Kelly
Event Director
Stanford 20/20
Office 345 623 8823
Mobile 345 329 4480
www.Stanford2020.com

-----Original Message-----

From: peteromero@experioradvisory.com
[mailto:peteromero@experioradvisory.com]
Sent: October 25, 2007 11:13 PM
To: rhonda@kellyholding.com
Cc: 'Hodge, Julie'; 'Patsy Thomasson'; 'Hill, Karen'; 'Susan Martin'; 'Wyeth Wiedeman'

Subject: RE: 20/20

Rhonda: We have known that it (the State dep't's advisory opinion) has been at Treasury for two or three days now. Treasury makes the final determination and then tells us specifically why we can or cannot do this. While they do not have to side with State, they usually do, unless State is split, in which case they are relatively free to take whatever side they choose. I suspect that President Bush's recent hardline speech in Miami (against the Castro Regime) is having an impact (at least on the quantity of people at State and Treasury that are being consulted on the issue). Patsy has left several calls and been promised an official response (now overdue). They really should get back to us at any time now. Pete

Quoting "Rhonda Kelly - Kelly Holding Ltd."
<rhonda@kellyholding.com>:

> Hi Pete -

>

> Checking in again - anything? Thanks.

>

> Rhonda

>

> Rhonda Kelly

> Event Director

> Stanford 20/20

> Office 345 623 8823

> Mobile 345 329 4480

> www.Stanford2020.com

>

> -----Original Message-----

> From: peteromero@experioradvisory.com

> [<mailto:peteromero@experioradvisory.com>]

> Sent: October 19, 2007 10:42 AM

> To: Hodge, Julie

> Cc: Patsy Thomasson; Hill, Karen; rhonda@kellyholding.com; Susan Martin;

> Wyeth Wiedeman

> Subject: RE: 20/20

>

> All: I have a call into David McFarland at State to see if the papers

> went back to Treasury. Pete Quoting "Hodge, Julie"

> <JHodge@StanfordEagle.com>:

>

>> Patsy/Pete.....any updates?

>>

>>

>>

>> _____

>>

>> From: Patsy Thomasson [<mailto:pthomasson@benbarnesgroup.com>]

>> Sent: Wednesday, October 17, 2007 4:03 PM

>> To: Hodge, Julie; peteromero@experioradvisory.com; Hill, Karen

>> Cc: rhonda@kellyholding.com; Susan Martin; Wyeth Wiedeman

>> Subject: RE: 20/20

>>

>>

>>

>> I just got off the phone with Peter Romero who is in between

>> speeches and he had just talked with Tom Shannon, the Assistant

>> Secretary of State.

>>
>> He began by having some discussions that he felt might soften
>> him somewhat before he discussed our issue.
>>
>> Then he basically went for three points
>>
>> * Pete provided the background of having been working on this
>> since July when we had our first conversations with State and
Treasury
>> officials in which we made perfect clear to both agencies that we
wanted
>> to work with them on this and to make sure that they had what they
>> needed, etc
>>
>> * He discussed the process and how it really does not allow for
>> our input throughout the process
>>
>> * Finally he praised them for the work that has been going on
in
>> the last ten days but before that we had not had any action so to
speak.
>>
>> Then Pete went through what we are asking with Shannon about
how
>> we would be treating the Cubans and the gist of our application.
>>
>> Shannon told Pete that "sounded like a reasonable request"
and
>> that he would find the draft as soon as he got off the phone.
>>
>> This is encouraging but not/not an answer yet.
>>
>> We will stay on top of it.
>>
>> pt
>>
>> Patsy Thomasson
>>
>> Ben Barnes Group
>>
>> 1215 19th Street NW
>>
>> Washington, DC 20036
>>
>> 202-467-1613 office
>>
>> 202-467-1625 fax
>>
>> 202-297-8723 cell
>>
>> -----Original Message-----
>> From: Hodge, Julie [<mailto:JHodge@StanfordEagle.com>]
>> Sent: Tuesday, October 16, 2007 3:22 PM
>> To: Patsy Thomasson; peteromero@experioradvisory.com; Hill, Karen
>> Cc: rhonda@kellyholding.com; Susan Martin; Wyeth Wiedeman
>> Subject: Re: 20/20
>>
>> Let's conference this afternoon.

>>
>>
>>
>> ----- Original Message -----
>>
>> From: Patsy Thomasson <pthomasson@benbarnesgroup.com>
>>
>> To: Hodge, Julie; peteromero@experioradvisory.com
>> <peteromero@experioradvisory.com>; Hill, Karen
>>
>> Cc: rhonda@kellyholding.com <rhonda@kellyholding.com>; Susan Martin
>> <smartin@benbarnesgroup.com>; Wyeth Wiedeman
>> <wwiedeman@benbarnesgroup.com>
>>
>> Sent: Tue Oct 16 13:55:51 2007
>>
>> Subject: 20/20
>>
>> About 20 minutes ago I spoke with Ambassador Pete Romero who asked
that
>> I pass the information on to you. This morning Pete reports that he
>> spoke with David McFarland at State Department regarding the Stanford
>> request. State did receive the additional information that we
submitted
>> through Treasury (Stanford to Treasury on Friday; Treasury to State
on
>> Monday.) State Department has determined that a license is require
>> (which we thought all along). McFarland has committed to Pete that
he
>> will try to get all of the sign-offs from the lower levels of State
by
>> tomorrow so that it can go to the Assistant Secretary Tom Shannon who
>> will do the final sign off.
>>
>>
>>
>> Question:
>>
>>
>>
>> When Shannon has either approved or disapproved, the information will
go
>> back to Treasury. The question is whether we want ambassador Romero
to
>> raise the question with Assistant Secretary Shannon before he sees it
or
>> do we want to continue to let it take a lower profile and believe
that
>> it will be okay. The lower level staff was not willing to give Pete
a
>> definitive answer about their recommendations.
>>
>>
>>
>> Alternative to Ambassador Romero asking the question before the
>> information goes to Shannon is to let the request make its way
through
>> State without calling any additional information to it and if they do

>> not recommend to Treasury, ask our contacts at Treasury not to make a
>> final decision until we can get a firm handle on State's objections
and
>> see if we can over come the objections.
>>
>>
>>
>> Clearly, this is not an easy decision but we think that it would
>> probably be helpful to have Ambassador Romero let Assistant Secretary
>> Shannon know that it is on the way to him through the State
Department
>> "chop" process. Just a heads up, not a pressure call.
>>
>>
>>
>> Julie, Ambassador Romero lands between 3:00 and 4:00 p.m. EST and
will
>> call me during this period. We could conference us together to
discuss
>> the appropriate next step. What do you think?
>>
>>
>>
>> pt
>>
>>
>>
>> Patsy Thomasson
>>
>>
>>
>> Ben Barnes Group
>>
>> 1215 19th Street NW
>>
>> Washington, DC 20036
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>>
>> 202-467-1613 office
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> --
> Ambassador Peter F. Romero
> Experior Advisory
> peteromero@experioradvisory.com
> 202-776-7723-office
>
>
>

--
Ambassador Peter F. Romero
Experior Advisory
peteromero@experioradvisory.com
202-776-7723-office

From: Hodge, Julie
Sent: Thursday, November 01, 2007 9:41 PM
To: Walker, Kye
Subject: RE: A note from Ben Barnes

Treasury is going to decline Cuba's participation in 20/20.

-----Original Message-----

From: Walker, Kye
Sent: Thursday, November 01, 2007 5:39 PM
To: Hodge, Julie
Subject: Re: A note from Ben Barnes

He hasnt said anything? What is the issue?

----- Original Message -----

From: Hodge, Julie
To: Walker, Kye
Sent: Thu Nov 01 16:28:22 2007
Subject: RE: A note from Ben Barnes

Thank you. This sucks....has he advised if and when they might get together?

-----Original Message-----

From: Walker, Kye
Sent: Thursday, November 01, 2007 5:08 PM
To: Hodge, Julie
Subject: Fw: A note from Ben Barnes

Fyi-

----- Original Message -----

From: Susan Martin <smartin@benbarnesgroup.com>
To: Stanford, Allen
Cc: Walker, Kye
Sent: Thu Nov 01 16:04:54 2007
Subject: A note from Ben Barnes

Allen –

This is the lawyer who I want you to visit with regarding the cricket issue:

F. Joseph Warin, Esq.
Gibson, Dunn & Crutcher, LLP
1050 Connecticut Avenue NW
Washington, DC 20036-5306
Tel/direct: 202 887-3609
Right Fax: 202 530-9608
Cell: 703 447-4301
Email: fwarin@gibsondunn.com

Please call me at my office (512-322-0128) or on my cell (512-415-1414 or 512-415-4070).

Ben

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APP000300

From: Stanford, Allen
Sent: Friday, November 16, 2007 5:44 PM
To: Walker, Kye; Suarez, Yolanda
Cc: Hill, Karen
Subject: Re: Cuba research

Get this done asap RAS

----- Original Message -----

From: Walker, Kye
To: Suarez, Yolanda
Cc: Hill, Karen; Stanford, Allen
Sent: Fri Nov 16 11:07:03 2007
Subject: Cuba research

Hello Yolanda-

Per our conversation yesterday I am following up with what Karen-Mae and I have compiled thus far. Let me know whether I should FedEx a hard copy to your office.

TO: Yolanda

FROM: Karen-Mae and Kye

RE: Cuba's participation in Stanford 20/20 Tournament

DATE: November 16, 2007

CC: Sir Allen

Yolanda-

As you know, the Treasury Department through the Office of Foreign Assets Control denied the request of Stanford 20/20 to have Cuba participate in next year's tournament. Mr. Stanford wants to move forward in the hopes that OFAC will reconsider its denial and allow Stanford 20/20 to make an oral presentation to OFAC. In that effort, he seeks to retain outside counsel to advise Stanford 20/20 on how to proceed with OFAC and advise us of other strategies available to Stanford 20/20.

Karen-Mae and I have compiled all the written correspondence and have attempted to memorialize all the other communications with both the State and Treasury Departments. We have also chronicled Stanford 20/20's interaction with Cuba thus far to give you an overall picture of what has occurred. Our preliminary research of the Cuba Assets Control

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RECEIVER527-00230134

APP000301

Regulations shows that they allow for an oral presentation before OFAC, a reopening of a denial by OFAC and reapplication for a license. We have also looked into the steps taken by the Major League Baseball and Player's Associations to secure Cuba's participation in the World Baseball Classic held last year in the U.S., Puerto Rico, and Japan. In doing this research, we have discovered the name of an attorney, Wynn Segall of Akin Gump, who appears to be one of the leading experts on OFAC and economic sanctions and controls. We have included both his bio and that of Attorney Joseph Warin of Gibson Dunn (referred to us by Ben Barnes), along with two other attorneys for your comment.

Let us know when you are available to discuss.

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RECEIVER527-00230135

APP000302

From: Suarez, Yolanda
Sent: Friday, November 16, 2007 9:11 PM
To: Walker, Kye
Cc: Hill, Karen; Stanford, Allen
Subject: RE: Cuba research
Kye,

I have reviewed the information you sent. Following are steps that I would recommend:

1. No further letters or requests to OFAC until such time as we have had the benefit of a meeting with counsel on the topic.
2. Based on a review of the bios you forwarded I think we should try to line up a meeting (or at least a teleconference call) with Wynn Seagell ASAP. Akin Gump is an excellent firm.
3. Is there any possibility that we could get support from the ICC and the West Indies Cricket Board. I do think that having the support of recognized sports bodies would be helpful in any appeal. Additionally, could we get the other regional governments, whose teams will participate, to submit supporting letters? On a very cursory review of the materials related to baseball it is clear that it was a 3 year political battle with pressure coming from international organizations and sports bodies.
4. Would it be possible to explore the possibility of the Cuban team participating without any support being provided by 20/20 LLC?
5. I did receive a briefing from Ambassador Romero on the matter, but do think it would be worthwhile to get details on exactly he spoke/met with.

As I mentioned to you yesterday when we spoke time is of the essence as next week DC pretty much shuts down. Am available on cell anytime. YS

From: Walker, Kye
Sent: Fri 11/16/2007 11:07 AM
To: Suarez, Yolanda
Cc: Hill, Karen; Stanford, Allen
Subject: Cuba research

Hello Yolanda-

Per our conversation yesterday I am following up with what Karen-Mae and I have compiled thus far. Let me know whether I should FedEx a hard copy to your office.

TO: Yolanda
FROM: Karen-Mae and Kye
RE: Cuba's participation in Stanford 20/20 Tournament
DATE: November 16, 2007
CC: Sir Allen

Yolanda-

As you know, the Treasury Department through the Office of Foreign Assets Control denied the request of Stanford 20/20 to have Cuba participate in next year's tournament. Mr. Stanford wants to move forward in the hopes that OFAC will reconsider its denial and allow Stanford 20/20 to make an oral presentation to OFAC. In that effort, he seeks to retain outside counsel to advise Stanford 20/20 on how to proceed with OFAC and advise us of other strategies available to Stanford 20/20.

Karen-Mae and I have compiled all the written correspondence and have attempted to memorialize all the other communications with both the State and Treasury Departments. We have also chronicled Stanford 20/20's interaction with Cuba thus far to give you an overall picture of what has occurred. Our preliminary research of the Cuba Assets Control Regulations shows that they allow for an oral presentation before OFAC, a reopening of a denial by OFAC and reapplication for a license. We have also looked into the steps taken by the Major League Baseball and Player's Associations to secure Cuba's participation in the World Baseball Classic held last year in the U.S., Puerto Rico, and Japan. In doing this research, we have discovered the name of an attorney, Wynn Segall of Akin Gump, who appears to be one of the leading experts on OFAC and economic sanctions and controls. We have included both his bio and that of Attorney Joseph Warin of Gibson Dunn (referred to us by Ben Barnes), along with two other attorneys for your comment.

Let us know when you are available to discuss.

From: Walker, Kye
Sent: Friday, November 16, 2007 5:07 PM
To: Suarez, Yolanda
Cc: Hill, Karen; Stanford, Allen
Subject: Cuba research

Attachments: Cuba briefing part 1.pdf; Cuba briefing part 2.pdf

Hello Yolanda-

Per our conversation yesterday I am following up with what Karen-Mae and I have compiled thus far. Let me know whether I should FedEx a hard copy to your office.

TO: Yolanda

FROM: Karen-Mae and Kye

RE: Cuba's participation in Stanford 20/20 Tournament

DATE: November 16, 2007

CC: Sir Allen

Yolanda-

As you know, the Treasury Department through the Office of Foreign Assets Control denied the request of Stanford 20/20 to have Cuba participate in next year's tournament. Mr. Stanford wants to move forward in the hopes that OFAC will reconsider its denial and allow Stanford 20/20 to make an oral presentation to OFAC. In that effort, he seeks to retain outside counsel to advise Stanford 20/20 on how to proceed with OFAC and advise us of other strategies available to Stanford 20/20.

Karen-Mae and I have compiled all the written correspondence and have attempted to memorialize all the other communications with both the State and Treasury Departments. We have also chronicled Stanford 20/20's interaction with Cuba thus far to give you an overall picture of what has occurred. Our preliminary research of the Cuba Assets Control Regulations shows that they allow for an oral presentation before OFAC, a reopening of a denial by OFAC and reapplication for a license. We have also looked into the steps taken by the Major League Baseball and Player's Associations to secure Cuba's participation in the World Baseball Classic held last year in the U.S., Puerto Rico, and Japan. In doing this research, we have discovered the name of an attorney, Wynn Segall of Akin Gump, who appears to be one of the leading experts on OFAC and economic sanctions and controls. We have included both his bio and that of Attorney Joseph Warin of Gibson Dunn (referred to us by Ben Barnes), along with two other attorneys for your comment.

Let us know when you are available to discuss.

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RECEIVER527-00229951

APP000305

EXHIBIT KVT-36



September 7, 2006

MEMO TO: Allen Stanford
FROM: Ben Barnes
SUBJECT: Political Contributions

Pursuant to our conversation, I spoke with Charlie Rangel, and he suggested that you make individual \$2,000 contributions to 12 candidates of his choice. I will get you the list as quickly as possible. If you would overnight the checks to me, I can deliver them to Charlie personally. I would do this myself, but I am maxed out on federal contributions.

I think it is important that we pursue this. The Democrats have a good chance of taking back the House. Charlie couldn't have been nicer or more helpful and said to give you his best. He was so pleased that you are willing to this.

Regarding the Davis memo, I have been able to ascertain that this is a new memo. We need to find its origin and put a stop to it. I plan to travel to Washington Sunday and will make this a priority. I will call you tomorrow or over the weekend to discuss a plan of action.

Best regards.

EXHIBIT KVT-37

From: Martinez, Vanessa

Sent: Friday, March 30, 2007 10:36 PM

To: Suarez, Yolanda

Subject: FW: Check for Chris Dodd

Hi I scheduled a FEDEX pick at your house tomorrow between 10AM-12PM for the check.

Would you like me to call Emilio and give him the address where it needs to go?

The destination has to be written on the actual airbill when the envelope is picked up.

They will provide you with an envelope.

Thanks

Vanessa L. Martinez

Executive Assistant to the Chief of Staff

Stanford Financial Group

201 South Biscayne Boulevard

12th Floor

Miami, Florida 33131 USA

305.347.2414 Direct

305.347.2421 Fax

vamartinez@stanfordeagle.com

From: Susan Martin [mailto:smartin@benbarnesgroup.com]

Sent: Friday, March 30, 2007 5:16 PM

To: Martinez, Vanessa

Subject: Check for Chris Dodd

Vanessa –

Please have Yolanda make the check payable to Chris Dodd for President and overnight the check to:

Vince Fralichi

1100 H Street, NW

Suite 940

Washington, DC 20005

Phn: 202-737-3633

Regards,

Susan Martin

Assistant to Ben Barnes

512-322-0128

EXHIBIT KVT-38

From: Susan Martin [smartin@benbarnesgroup.com]

Sent: Monday, July 09, 2007 5:33 PM

To: Stanford, Allen

Cc: Hodge, Julie

Subject: A Note from Ben Barnes regarding B Rapoport's Birthday Party
Allen –

B Rapoport's party begins with cocktails at 6PM July 17 at Jay Rockefeller's home. If you contribute \$50,000, you will be the main sponsor and have a prominent display in the program.

Ben

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RECEIVER527-00279148

APP000311

EXHIBIT KVT-39

From: Hodge, Julie
Sent: Thursday, August 09, 2007 8:32 PM
To: Walker, Kye
Subject: FW: B's 90th Birthday Bash

Attachments: Sir Allen Stanford.pdf

I gave this to RAS last week but he paid no attention to it. I don't think he remembered committing to Ben that he would do this. But attached is an invoice that he pledged to pay, so needs to be added to his list of payments to be made. Ben's office is following up.

From: Patsy Thomasson [mailto:pthomasson@benbarnesgroup.com]
Sent: Tuesday, July 31, 2007 5:53 PM
To: Hodge, Julie
Subject: B's 90th Birthday Bash

Julie, please find attached correspondence regarding Sir Allen's commitment to B's 90th Birthday Bash. Mr. Rapoport and the Texas Observer and us, of course, really appreciate Sir Allen's commitment.

If you need anything else, please let us know.

Thanks

pt

Patsy L. Thomasson
Ben Barnes Group
1215 19th Street, NW
Washington, DC 20036

202-467-1613 voice line
202-467-1625 fax line
202-297-8723 cell

EXHIBIT KVT-40

From: Susan Martin [smartin@benbarnesgroup.com]
Sent: Friday, August 15, 2008 3:23 PM
To: Stanford, Allen
Cc: Walker, Kye; Hodge, Julie
Subject: A Note from Ben Barnes
Allen –

I've tried to call you a couple of times without success. I wanted to let you know that Charlie Rangel and I are going to the USVI September 5-6. I have a definite appointment with the Governor either Thursday or Friday, and I want to talk to you before that meeting.

Also, the National Democratic Governors Association is having a meeting in the USVI sometime after the election. The Governor asked if you would consider being the major sponsor for the event. I think it's a great opportunity for you.

I need to catch up on a few other things, so I would appreciate a call. I am traveling to New York today and am reachable on either cell (512-415-4070 or 512-415-1414) or you can call me at the Ritz Carlton (212-308-9100).

I look forward to hearing from you.

Best,
Ben

EXHIBIT KVT-41

From: Walker, Kye

Sent: Thursday, October 23, 2008 3:29 PM

To: Stanford, Allen

Subject: \$500,000 donation to Democratic Governors Association

I have followed up with Ben Barnes regarding the donation to sponsor the DGA conference in St. Thomas. The donation may be made with a corporate check payable directly to the DGA (as opposed to Govt of the VI). The conference begins Friday, November 7th and ends Sunday, November 9th. The DGA invites you to give remarks at the Chairman's Board Breakfast on Saturday, November 8th between 8 am and 9 am or the Cocktail Reception and Dinner of the same date. The breakfast will have an audience of approx. 50 people consisting of the participating Governors, their staff, and staff of the DGA. The cocktail reception will have an audience of 300 people consisting of the Governors, staff, other sponsor and various VI govt officials and private sector members. Please indicate your approval to have a check issued to the DGA for \$500,000.

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RECEIVER527-00229316

APP000317

EXHIBIT KVT-42

From: Blair, Scott
Sent: Tuesday, November 04, 2008 8:27 PM
To: Kuhrt, Mark
Subject: RE: DGA checks
All set. Kye is picking up the checks at 5.

Scott C. Blair, CPA
Accounting Supervisor
Stanford Financial Group Global Management, LLC
340-713-5000 Main
340-713-5052 Direct
340-626-3722 Mobile
340-713-5085 Fax
sblair@stanfordeagle.com

From: Kuhrt, Mark
Sent: Tuesday, November 04, 2008 2:56 PM
To: Blair, Scott
Subject: Fwd: DGA checks

Follow-up please!

Sincerely,

Mark Kuhrt

Begin forwarded message:

From: "Walker, Kye" <KWalker@StanfordEagle.com>
To: "Kuhrt, Mark" <MKuhrt@StanfordEagle.com>, "St.Remy, Christine" <csremy@stanfordeagle.com>
Subject: FW: DGA checks

Mark-

I have attached 2 invoices for Stanford's sponsorship of the Democratic Governors' Association conference in STT this weekend. Please see RAS's approval of the invoices below. The checks need to be cut asap as the DGA's check is being fedexed. The Government's check may be hand delivered tomorrow. Please advise as to when the checks will be ready. Call me if you have any questions.

Kye

-----Original Message-----

From: Stanford, Allen
Sent: Tuesday, November 04, 2008 2:47 PM
To: Walker, Kye
Subject: Re: DGA checks

Yes to both. RAS

----- Original Message -----

From: Walker, Kye

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RECEIVER527-00292048

APP000319

To: Stanford, Allen
Sent: Tue Nov 04 12:46:01 2008
Subject: DGA checks

Do I have your approval to request 2 checks totaling \$500,000? Shall I proceed with the alternative plan to have JRT give remarks and attend the policy discussions with Lionel Johnson. Please advise.

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RECEIVER527-00292049

APP000320

EXHIBIT KVT-43

From: Rodriguez, Lula
Sent: Thursday, January 15, 2009 2:31 PM
To: Walker, Kye
Cc: Johnson, Lionel C.; Conzelman, James
Subject: FW: Any word on the check to the Montana Fund from Mr Stanford?

Kye, attached is the response Jim got. I have spoken to Frank Sanchez and am waiting to hear from him today. I will call him again if I don't hear by noon.

Lula

-----Original Message-----

From: Mitchell Delk [mailto:mitchelldelk@comcast.net]
Sent: Thursday, January 15, 2009 7:14 AM
To: Conzelman, James
Cc: kcaperton@benbarnesgroup.com
Subject: RE: Any word on the check to the Montana Fund from Mr Stanford?

It was received, not accepted for reason we have discussed, and returned. They are trying to determine how it was returned (regular mail or FedEx) and if a letter was included. This was an event that Ben had strongly recommended to Yolanda that Stanford not participate or offer contributions. His concern was it would raise issues from the past and he felt that letting "sleeping dogs lie" would present opportunities in future election cycles (this new Congress). The contribution, and others, spurred due diligence by the lawyers that unearth the issues from the past and a ban on accepting the contribution and others - Ben's concern come true. Hopefully the issues are behind us - a new Chair and staff at the DSCC should help. If I get further information, I will pass it along.

-----Original Message-----

From: Conzelman, James [mailto:JConzelman@StanfordEagle.com]
Sent: Wednesday, January 14, 2009 11:44 PM
To: mitchelldelk@comcast.net
Cc: Rodriguez, Lula
Subject: Any word on the check to the Montana Fund from Mr Stanford?

I think you were going to check if it had ever been presented? Was it lost?
It was not returned to RAS. Please let me know asap. Thank you Mitch. Jkc

EXHIBIT KVT-44

Stanford Financial's 'Family' Tie Fails to Impress University
2006-05-17 00:03 (New York)

By Michael Forsythe and Alison Fitzgerald

May 17 (Bloomberg) -- R. Allen Stanford, chairman of Stanford Financial Group, has donated \$2.5 million to restore the home of Stanford University's founder, whom he describes in the company magazine as a relative.

If there is a blood connection, though, the California university doesn't know it. "We are familiar with Stanford Financial but are not aware of any genealogical relationship between Allen Stanford and Leland Stanford," says Susan Weinstein, director of business development and guardian of the use of the university's name.

The claimed ties are only one way the Houston-based company, which says it helps manage and advise on \$30 billion in investments, has burnished its image among investors and in Washington.

Among other things, the firm has contributed millions of dollars to politicians of both parties and allowed them use of its jets at cut-rate fares. It acquired a Washington research group employing a former Federal Reserve governor, and high-yielding certificates of deposit issued by its Antiguan bank have attracted increasing numbers of affluent U.S. buyers.

Such steps have helped the firm prosper in the wake of a run-in with U.S. government officials, who complained that the firm has exerted too much control over Antiguan regulators.

"When you're an offshore banker, you want to make sure that you're not perceived as a villain," said Jack Blum, a lawyer at Lobel, Novins & Lamont in Washington who specializes in overseas financial transactions. Allen Stanford "has been very aggressive, not only in the political arena but also in hiring people to tell everybody what a good guy he is."

Texas Roots

Stanford, 56, traces his company's roots to his grandfather's insurance company, founded in the central Texas town of Mexia in the 1930s. U.S. court records show that his core business -- the offshore bank -- was formed in 1985 on the Caribbean island of Montserrat and moved to Antigua in 1990.

That's where he ran into problems with U.S. investigators. In 1999, Stanford Financial tried to take over Antiguan International Business Corp., which regulated offshore companies on the island, said Jonathan Winer, who was then a deputy assistant secretary of State. State Department cables sent from the U.S. Embassy described a "power grab" and criticized the company's hiring of U.S. consultants to revise Antigua's offshore-banking rules.

"The high-powered legal and investigative hired guns from the U.S. are likely being tasked with cleansing the files to make sure there is nothing in them that could damage or implicate the American offshore banker," one cable read.

Warning Lifted

The U.S. advised financial institutions to be suspicious of

transactions with Antigua banks, a warning that was lifted in August 2001 after Antigua took steps to fight money laundering. The warning didn't specifically mention Stanford Financial's bank.

Stanford Financial says Allen Stanford "was asked to serve in an advisory capacity to the government of Antigua and Barbuda" and hired a "top-notch team of former U.S. legal and regulatory professionals" that helped that country adopt anti-money-laundering rules.

That team included several lawyers from the Miami offices of Greenberg Traurig LLP, which represented Stanford Financial at the time.

Since then, Stanford Financial's U.S. business has surged, helped by a team in Baton Rouge, Louisiana, that sells the Antiguan CDs to affluent Americans such as doctors. The company says the team added about \$17 million in new deposits in 2003, \$150 million in 2004 and had a goal of \$250 million for last year, according to a 2004 company video.

Additional Cachet

In Washington, meanwhile, the company gained additional cachet last year by acquiring Charles Schwab & Co.'s Washington research team, now called Stanford Washington Research Group. The group employs former Federal Reserve Governor Lyle Gramley as senior economic adviser.

In the past six years, Stanford Financial and its employees have made more than \$2 million in donations to U.S. political candidates and parties, according to the Federal Election Commission and congressional and Internal Revenue Service records.

Stanford gives to both Democrats and Republicans. Among its top beneficiaries have been former Senator Robert Torricelli, a New Jersey Democrat who left office in 2003 amid ethics allegations, and Republican Representatives Tom DeLay of Texas, who is resigning from Congress next month after having been indicted in a Texas election-fundraising case, and Bob Ney of Ohio, who's under investigation in the scandal involving lobbyist Jack Abramoff. Stanford Financial or its employees have contributed to the legal defense funds of the three lawmakers.

Company Jets

DeLay's committees paid for flights on Stanford's jets at least 16 times since 2003, including on Oct. 20, the day the former House majority leader was booked in a Houston courthouse on money-laundering charges. Shannon Flaherty, a spokeswoman for DeLay, didn't respond to a request for comment.

Members of the House Caribbean Caucus take annual trips to the region on Stanford's jets. Lawmakers are required to reimburse companies at a first-class commercial rate, which is often a fraction of the actual cost.

"Our relationship with political leaders is and always will be proper, bipartisan and fully disclosed," Stanford Financial said in a written response to questions.

The company's in-house magazine, the Stanford Eagle, raises a different sort of relationship with another political leader: Leland Stanford, the 19th century California governor and U.S.

senator who, with his wife, founded the university in memory of their only child, Leland Jr., who died at the age of 15 in 1884.

Family Ties

The company's magazine, published in 2001, quoted Allen Stanford as saying that his great-great-great-grandfather was "closely related to" Josiah Stanford, Leland's father, who was born in 1795 and lived near Albany, New York. The magazine's cover featured a photo of Allen Stanford, his father, James, and former California Governor Gray Davis standing on the steps of the Stanford Mansion, Leland Stanford's Sacramento home, now part of a state park used for official functions.

On a promotional video distributed in 2004 as a sales and information tool for its advisers, Allen Stanford says, "I am proud to say that we have been a major financial supporter for the restoration of the Leland Stanford Mansion in Sacramento, helping to preserve an important piece of California, and Stanford family, history."

The company, in a written response to questions, said, "It is clear that Stanford Financial Group has not tried to use a family link to Leland Stanford to promote the image of the company." It added, "Our clients are sophisticated, affluent investors who make their investment decisions based on our company's current performance, not because of the kinship between Mr. R. Allen Stanford's great-great-great grandfather and Leland Stanford's father."

'Of Swiss Descent'

In its statement, the company cited a book called "The History of Stewart County Georgia -- Volume II" by Sara Robertson Dixon to establish the family link. In the book, available at the Library of Congress, Dixon, who died in 1967, described R. Allen Stanford's great-great-great grandfather Thomas as being "closely related" to Josiah Stanford, though without saying how. The book said the family "is said to be of Swiss descent" and was named St. Anford, moving to the U.S. before the American Revolution.

Stanford University archivist Margaret Kimball said Leland Stanford's family traces its origins to New York and Massachusetts, where family members settled after migrating from England, not Switzerland.

"I would probably argue that if the Stanfords, to whom R. Allen Stanford lays his heritage, are indeed descended as outlined, then there is probably little connection to our Stanford and those who hail from Massachusetts and New York," Kimball said.

--Editor: Rubin (rxj/jto)

Story Illustration: For more information about Stanford Financial Group, see the company's Web site:
<http://www.stanfordfinancial.com/>

To contact the reporters on this story:
Mike Forsythe in Washington (1)(202) 624-1940 or
mforsythe@bloomberg.net

Alison Fitzgerald in Washington at (1)(202) 624-1846 or
afitzgerald2@bloomberg.net.

To contact the editor responsible for this story:
Ken Fireman at (1)(202) 624-1978 or kfireman1@bloomberg.net

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NI STATE
NI SEC
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NI GOLF
NI TOP

#<698734.251583.2005-11-10T14:40:00.25>#
-0- May/17/2006 04:03 GMT

EXHIBIT KVT-45

From: Suarez, Yolanda
Sent: Monday, May 08, 2006 10:25 PM
To: Suarez, Yolanda
Cc: Tello, Ana; Hodge, Julie
Subject: FW: BLOOMBERG RESPONSE

Attachments: STANFORD history.doc

From: Suarez, Yolanda
Sent: Mon 5/8/2006 5:24 PM
To: Stanford, Allen
Subject: BLOOMBERG RESPONSE

We have discussed this issue and the response below at length with Ben Barnes, Scott Reed and Kent Caperton and they are in agreement. We will not be releasing this until the following:

1. Ben's researcher gets additional information on the link between Thomas and Josiah, if possible.
2. Until you approve.

Additionally, we suggest sending a copy of the 2 pages of the book cited in our response, and a copy of the commercial we aired nationally.

Ben has advised that absolutely under no circumstances should we have Sweeney's office make any calls on our behalf, this would be disastrous. While I did speak to Sweeney's new Chief of Staff, I did not mention this.

The objective is to release this as early as possible tomorrow to the reporter. I will be in the air tomorrow morning at 6:00 a.m., landing around 9:30. YS

It is the Stanford family's oral history that Thomas Stanford, great-great-great grandfather was closely related to Josiah Stanford, father of Leland Stanford, founder of Stanford University. The Stanford family arrived in New York around the time the Declaration of Independence was signed. Thomas Stanford moved south to Georgia and Texas, while Josiah Stanford's family moved west to California. This is history that has been passed along from generation to generation.

Birth records from the mid-1700s are too fragmented to confirm the exact relationship, but there is historical documentation that cites the close relationship between Thomas Stanford and Josiah Stanford. For example, a book "History of Stewart County, Georgia" by Agnew and Marian Clark published in Georgia by A.H. Clark, "Thomas Stanford, Sr., who died in Cuthbert in 1839 was closely related to Oliver Perry and Jephtha Stanford of Stewart County and to Josiah Stanford of New York, father of Leland Stanford, founder of the college in California that bears his name."

In 2001, Charles Ansbach, Executive Director of the Leland Stanford Mansion Foundation, solicited a donation from Stanford Financial Group to support the renovation of the Stanford Mansion in Sacramento. The 2001/2002 edition of both our corporate video and magazine highlight the donation as part of sections that review the Company's corporate giving. These are the only mentions Mr. Stanford has ever made in marketing materials to his connection to Stanford University. In contrast, Mr. Stanford refers constantly in meetings with employees, clients and others to his Texas heritage, even highlighting his roots in a recent national television commercial and other marketing materials. Stanford Financial Group is proud of its

growth in the U.S., where we continue to hire well-known, talented professionals who can provide our clients with a wide range of services.

Our clients are savvy individuals who make investment decisions based on performance records, not because of the relationship between Mr. Stanford's great great great grandfather and Leland Stanford.

EXHIBIT KVT-46

STANFORD FAMILY – MEXIA, TEXAS HISTORY

- THOMAS STANFORD SR. - Died 1839, Georgia. Arrived in Georgia sometime in the late 1700's, around the time the Declaration of Independence was signed, from the Stanford family which originated in the U.S. in New York state area. One part of the Stanford New York family migrated South and another migrated West. Thomas Sr. was closely related by blood to Josiah Stanford, father of Leland Stanford. He and his wife Keziah were wealthy early settlers of middle Georgia, and acquired a plantation seven miles from Cuthbert, Georgia in 1828. They had 10 children, one of whom was DAVID ALLEN STANFORD born in 1815.
- DAVID STANFORD - Born 1815, Georgia; died 1891, Mexia, TX. David was born in Georgia, was married and had a son, SIMON ALLEN STANFORD. His wife subsequently died. As a widower, following the Civil War, which desimated the South and destroyed their plantation and property in Georgia, he moved with his son, SIMON ALLEN in 1866/7/8 to central Texas in railroad times, to an unincorporated area in Limestone County now known as Mexia. David died in Mexia, Texas in 1891 and is buried in the Mexia cemetery.
- SIMON ALLEN STANFORD - Born 1846, Georgia; died 1924, Mexia TX. Simon Allen Stanford had a son, LODIS B. STANFORD in Mexia, Texas in 1897. He passed away in 1924 and is buried in the Mexia cemetery.
- LODIS B. STANFORD - Born October 1897, died April 1969, Mexia TX. Lodis was born in Mexia, Texas in 1897 and founded the first Stanford company, Stanford Insurance in 1932. He had a son, JAMES STANFORD in 1927. He passed away in 1969 and is buried in the Mexia cemetery.
- JAMES ALLEN STANFORD - Born August 30, 1927, Mexia, TX, still living. James Stanford carried on the Stanford business and had three sons, one of which is ROBERT ALLEN STANFORD.
- ROBERT ALLEN STANFORD - Born 1950, Mexia, TX. Current Chairman and CEO of the Stanford Financial Group of companies. R. ALLEN has always been told of his family history. His great great great grandfather, Thomas Stanford Sr. was closely related by blood to Leland Stanford's father, Josiah Stanford. Both families originated in New York state.

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APP000333

EXHIBIT KVT-47

From: Hodge, Julie
Sent: Wednesday, May 10, 2006 11:09 PM
To: Hamm, Suzanne
Subject: COMPANY RESPONSE TO BLOOMBERG

Attachments: Stanford history - response to Bloomberg.doc; FW: Questions for Stanford Financial for Bloomberg News Story
Suzanne

I am sending this to you via e-mail as your name is listed as the Media Contact Person. Mr. Stanford has issued a response to Mike Forsythe regarding the e-mail he sent with questions for Stanford, see attached.

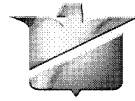
I will be Fedexing a package out tonight to you in Memphis with copies of everything that has been sent to him. Others being copied are:

James Stanford
James Davis
Kelley Hawkins
Yolanda Suarez
Oreste Tonarelli
Juan Rodriguez
Mauricio Alvarado
Ben Barnes
Scott Reed, Ben Barnes Group
Kent Caperton, Ben Barnes Group
Charles Ansbach, Stanford Mansion Foundation

Please let me know if you have any queries.

Julie

EXHIBIT KVT-48



May 10, 2006

Mr. Mike Forsythe
Bloomberg News

In response to your e-mail dated May 05, 2006 regarding questions for Stanford Financial for Bloomberg News Story, we provide the following information.

I.

In 2001, Charles Ansbach, Executive Director of the Leland Stanford Mansion Foundation, solicited a donation from Stanford Financial Group to support the renovation of the Stanford Mansion in Sacramento. R. Allen Stanford and his father James A. Stanford gave a \$2,500,000 cash gift in July 2001 to this effort. The 2001/2002 edition of both our corporate video and magazine mention the donation as part of sections that review the Company's corporate giving. Mr. Stanford has been asked a few times over the years by reporters and other curious individuals about his relation to Leland Stanford and he has always given the same answer: "It is my understanding that Leland Stanford is a distant relative through my great great great grandfather and Leland Stanford's father" (*see book reference below*). Mr. Stanford however refers constantly in meetings with employees, clients and others only to his Texas heritage, even highlighting his roots in a recent national television advertising campaign. Lodi Stanford is clearly and proudly identified as the Founder and inspiration for the Stanford Financial Group of companies in all marketing, promotional and educational material. Anyone making any statements to the contrary is either grossly misinformed or outright not telling the truth.

In general, it is known that the Stanford family arrived in the Northeast corridor of the US from England in the 1600's and part of the Stanford family migrated south to Georgia around 1795. The Mexico, Texas portion of the family tree, and relation to Leland Stanford's father Josiah, can trace its roots to Thomas Stanford Sr. son of William and Mary Stanford.

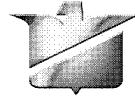
Taken directly from The History of Stewart County, Georgia – Volume II (Page 1048) by Sara Robertson Dixon, with Family Histories Edited Annotated and Indexed by Agnew Hilsman Clark and Marean Moncrief Clark, which is cataloged in the U.S. Library of Congress – "Thomas Stanford, Sr., who died in Cuthbert in 1839 was closely related to Oliver Perry and Jephtha Stanford of Stewart County and to Josiah Stanford of New York, father of Leland Stanford, founder of the college in California that bears his name. Thomas Sr., and his wife Keziah were wealthy early settlers of Middle Georgia, living in Morgan and Newton Counties before coming to Randolph Co. in 1828, where they purchased a plantation seven miles from Cuthbert. He fought in the Indian War of 1836. After his death in 1839, his widow lived in Alabama with some of her ten children. Mary lived in Habersham Co., Edward in Newton Co., William in Henry County; Martha Ann in Ala.; Thomas Jr., (1806-1859) Randolph Co.; Nancy m. George Hobbs of Randolph Co.; Elizabeth m. a Mr. Elliott went to Ala.; David to Texas; John to Arkansas; and Keziah. Thomas Stanford Jr., b. Morgan Co., May 15 1806 was reared in Newton Co., where he married Dec. 24, 1835, Elizabeth Phillips of S.C., 5 children born in Randolph County."

[APG]

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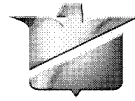
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Chronological Stanford family history of Thomas Stanford's son, David and grandson, Simon's departure from Georgia to Texas:

William Stanford - (Great Great Great Great Grandfather)	Born 1732, Maryland; died 1810, Georgia. Had 7 children, one of whom was Thomas Stanford.
Thomas Stanford Sr. - (Great Great Great Grandfather)	Born 1761, North Carolina; died 1839, Georgia. He and his wife Keziah were wealthy early settlers of middle Georgia, and acquired a plantation seven miles from Cuthbert, Georgia in 1828. They had 10 children, one of whom was David Allen Stanford, born in 1815.
David Allen Stanford - (Great Great Grandfather)	Born 1815, Georgia; died 1891, Mexia, TX. David was born in Georgia, was married and had 7 children, one of whom was Simon Allen Stanford. Following the Civil War, which decimated the South and destroyed the Stanford family plantation, he moved with his family, in 1866/7 to central Texas in railroad times, to an unincorporated area in Limestone County near what is now known as Mexia. When Mexia became an incorporated town in 1871 both David and Simon are listed in censuses from that period which reflect the very first settlers of the area. David died in Mexia in 1891 and is buried in the Mexia cemetery.
Simon Allen Stanford - (Great Grandfather)	Born 1846, Georgia; died 1924, Mexia, TX. Simon Allen Stanford had 12 children, one of whom was Lodis B. Stanford born in Mexia in 1897. Simon Allen passed away in 1924 and is buried in the Mexia cemetery.
Lodis B. Stanford - (Grandfather)	Born 1897, Mexia, TX; died 1969, Mexia, TX. Lodis had a son James Stanford in 1927. He founded the first Stanford company, Stanford Insurance in Mexia, Texas during the Great Depression in 1932. Lodis also served for about 12 years on the Mexia City Council and during World War II served on various Limestone County boards including the Rations Board and Draft Board. Lodis passed away in 1969 and is buried in the Mexia cemetery.

[APG]



James Allen Stanford -
(Father)

Born 1927, Mexia, TX; still living in Mexia, TX.
James Stanford carried on the Stanford business and had three children, one of which is Robert Allen Stanford. James served for 15 years on the Mexia City Council and as Mayor of Mexia for 3 and Mayor Pro Tem for 2 of those years. He also served on the State Mayor's Advisory Committee under Bill Clement's governorship for 2 years.

Robert Allen Stanford -
(Son)

Born 1950, Mexia, TX.
Current Chairman and CEO of the Stanford Financial Group of companies.

Our clients are sophisticated, affluent investors who make their investment decisions based on our company's current performance not because of the kinship between Mr. R. Allen Stanford's great great great grandfather and Leland Stanford's father.

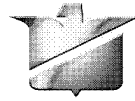
II.

In regards to the "1999 showdown with State and Treasury over the Antigua banking advisory board" it is well known that Mr. Stanford was asked to serve in an advisory capacity to the Government of Antigua and Barbuda on the drafting of anti-money laundering and regulatory matters in respect to the financial services sector. He assembled a top-notch team of former U.S. legal and regulatory professionals (former FBI, DEA, Customs, U.S. Attorney, Federal Banking oversight, regulatory and exam personnel) who delivered a detailed report on what Antigua and Barbuda should do in order to put in place a first rate regulatory, supervisory and anti-money laundering program through various measures including new legislation. Today, Antigua and Barbuda is regarded as a "model jurisdiction" by the United Nations and has received very favorable ratings from the IMF, CFATF and FATF. Mr. Stanford's role was purely as an advisor to the Government with no authority or powers. He served in this capacity for approximately 14 months.

III.

The Stanford Financial Group of companies worldwide consists of 4 banks, 3 trust companies, a full-service broker dealer, is a registered investment advisor, does institutional investment sales and has a fixed income trading desk. We have merchant banking, investment banking and capital markets divisions, are a market maker, do equity and policy research and provide financial planning and wealth management for high net worth clients globally, all branded under Stanford Private Wealth Management.

[APG]



We have 54 offices in 11 countries with over \$30 billion under management or advisement. Our clients number in excess of 90,000 and reside in 102 countries around the world.

One of those companies is Stanford International Bank Ltd. (SIBL), a \$4 billion institution that has been serving high net worth clients for over 20 years. Enclosed you will find a support booklet which answers the questions you have posed as to SIBL's operation.

IV.

As to our success, it has been through working tirelessly day after day with a goal of building the best financial services firm in the world. Mr. Stanford has made a commitment to employ only the best and brightest people in the financial services industry whose work ethic, skills and integrity match Lodi's Stanford's founding principles of hard work, clear vision and value for the client, established more than 70 years ago.

The top tier financial advisors in the large securities, investment banking and private banking firms have become frustrated with their working environment and lack of client-focused service. We are having tremendous success bringing them to Stanford and giving them and their clients a client-centered new home with a platform that is entrepreneurial in which to do their business.

V.

Stanford has developed a Community Investment Model to generate brand awareness and differentiate us from our competitors as we expand our global footprint. Stanford Financial has made a commitment to our employees and to the communities in which we operate to do what we can to strengthen those communities. Each year, we give back to many different organizations and causes. We encourage our employees to give and volunteer. And we manage our clients' assets in such a way that they can, in turn, do good. With each commitment we make, we see dollars invested; we see increased employee volunteerism; we experience word-of-mouth publicity and the reciprocal relationships we build with each nonprofit partner. None of this occurs overnight – it involves a deliberate, measured strategy that takes time – but we know the results of our Strategic Community Investment Model have and will continue to yield long term results. And in order to meet these goals, we look to develop relationships with organizations whose “hearts” are similar to ours.

[APG]



Stanford feels strongly that nothing strengthens the community more than healthy children. We are heavily involved with St. Jude Children's Research Hospital. We have named St. Jude as our corporate Charity of Choice partnering with them in all our U.S. markets and in areas where our global footprints coincide – this includes not only the U.S. but Central and Latin America and the Caribbean. Stanford will assume title sponsorship of the PGA Tournament (Fedex St. Jude Classic) in Memphis in 2007. This sponsorship provides global branding, multiple event marketing platforms as well as the opportunity to expand our relationship with St. Jude.

VI.

As we have publicly stated many times, Stanford, like any other company, has the right and obligation to our clients and employees to communicate with Congress about the impact of federal policies on our business. Our relationship with political leaders is and always has been proper, bipartisan and fully disclosed. All expenses related to the use of Stanford aircraft by either Rep. DeLay, Sen. Torricelli, Rep. Ney or any other public official were reimbursed in full accordance with Congressional regulations.

In summary, contrary to your proposed story, neither Mr. R. Allen Stanford nor his father James A. Stanford have ever “made an effort to link themselves to Leland Stanford” or Stanford University to improve the company's image and we have not “stressed” such a link in the company's marketing materials as has been suggested. All marketing, promotional and educational material on the Stanford Financial Group of companies proudly refers only to the Stanford family's Texas heritage and more specifically to Lodi B. Stanford and his success building his business on the principles of hard work, clear vision and value for the client.

It is the goal of every business to grow and prosper and that is what Stanford is doing by hiring the best of the best within the industry, differentiating ourselves from the competition, generating brand awareness, expanding our operations globally and doing business in an upright, ethical manner.

Mr. Forsythe, you are being sent by Federal Express today copies of census records verifying Thomas Stanford Sr.'s and his descendant's blood relation to each other. You are also being sent a small sampling of current and old marketing material which clearly demonstrates our Lodi B. Stanford, Mexia, Texas heritage.

Media contact: Suzanne Hamm, Stanford Global Foundation
Tel: (901) 277-6067
e-mail: shamm@stanfordeagle.com

[APG]

EXHIBIT KVT-49

From: Wolford, Lisa [lwolford@rlmnet.com]
Sent: Friday, May 05, 2006 7:17 PM
To: Tello, Ana; Hodge, Julie
Cc: zzz-howard.paster; Suarez, Yolanda
Subject: FW: Questions for Stanford Financial for Bloomberg News Story

Importance: High

Julie, Ana: See below from Mike Forsythe. We need to define the link between Mr. Stanford and Leland Stanford - if we can do that, we take away the reporter's "angle" for the story -- that RAS is using a link between himself and the University to market his growing business. Don't worry as much about the last graph, Mike says it will only "make more people want to buy the CDs". Thanks for sharing this e-mail with Mr. Stanford.

-----Original Message-----

From: mforsythe@bloomberg.net [mailto:mforsythe@bloomberg.net]
Sent: Friday, May 05, 2006 1:57 PM
To: Wolford, Lisa
Subject: Questions for Stanford Financial for Bloomberg News Story

Hello Lisa. Bloomberg News is preparing a story for publication about Stanford Financial, focusing on Mr. Stanford. We'd ask that the company send us comment or give us a call by the afternoon of Wednesday, May 10.

Here is a synopsis of the story, that is subject to change depending on the replies given by the company. We have interviewed 13 former and current employees for our story.

Mr. Stanford, in a company video, in the company magazine, and in meetings with employees stresses his family ties to Leland Stanford. Stanford University's chief archivist and its business development office know of no genealogical links. Saying that Mr. Stanford's great-great-great grandfather is closely related to Josiah Stanford is vague. What is the precise relationship and how do we know that Thomas Stanford Sr. is the great-great-great grandfather of Mr. Stanford?

This is important because it's natural that people associate Leland Stanford with Stanford University. We quote a professor of marketing showing how those family links can instill trust and confidence in Stanford Financial.

But our story is not primarily about the family ties. The larger picture is that Mr. Stanford's effort to link himself to Leland Stanford, and hence to Stanford University, is part of an effort to improve the company's image and expand in the U.S. after the 1999 showdown with State and Treasury over the Antigua banking advisory board. Other moves include the hiring of equity analysts, centered in Boca Raton, the hiring of financial advisors, such as those who came to the Memphis office from UBS, taking on sponsorship of the St. Jude PGA tournament, taking over Washington Research Group from Schwab in 2005, and extensive donations and provision of corporate jet flights to politicians of both parties, including former Senator Toricelli, and Representatives Bob Ney and Tom DeLay.

Importantly, this comes as Stanford Financial, through its "SGC Superstars" is rapidly expanding the sale of SIBL CDs in the United States. We cite company documents and training videos showing how such deposits more than doubled from 2003 to 2004, with the company targeting affluent people such as doctors to make deposits to SIBL, deposits which are not FDIC insured. These CDs make annual returns hundreds of basis points above rates found at US banks.

Lisa, that's about it. I think the story is very fair and only based on facts and on-the-record comments.

Regards,

Mike Forsythe
Bloomberg News
202 624 1940

This message is intended only for the use of the Addressee(s) and may contain information that is PRIVILEGED and CONFIDENTIAL.

If you are not the intended recipient(s), you are hereby notified that any dissemination of this communication is strictly prohibited. If you have received this communication in error, please erase all copies of the message and its attachments and notify us immediately.

Thank You

EXHIBIT KVT-50

From: Scott W. Reed [SReed@Chesenterp.com]

Sent: Tuesday, May 16, 2006 6:07 PM

To: Hodge, Julie

Subject: Re: PROPOSED STANFORD ARTICLE

I will make the call now. It sounds like they have invested a lot of time in this and turning it off may be impossible.

----- Original Message -----

From: Hodge, Julie

To: sreed@chesenterp.com

Cc: ben@benbarnesgroup.com

Sent: Tuesday, May 16, 2006 12:24 PM

Subject: Fw: PROPOSED STANFORD ARTICLE

Scott

See below. Mr. Stanford wants you to follow up with Al Hunt at Bloomberg. Ideally, we do not want a story run at all.

Please advise.

Thanks

-----Original Message-----

From: mforsythe@bloomberg.net

To: Hodge, Julie

Sent: Tue May 16 09:38:25 2006

Subject: RE: PROPOSED STANFORD ARTICLE

Hi Julie. After we received the company response, we took it upon ourselves to obtain a copy of the genealogical text on which Mr. Stanford bases his claim of kinship with Leland Stanford. We had that text, plus the genealogical timeline offered by the company, reviewed by the Stanford University archivist. That, and very careful editing and vetting, explains the delay.

Pending approval by the editor-in-chief, we'd expect the story to run at midnight tonight.

Regards,

Mike Forsythe
Bloomberg News
202 624 1940

----- Original Message -----

From: Julie Hodge <jhodge@stanfordeagle.com>

At: 5/15 20:09:00

Mike

Has anything been run?

Please advise if and when you do run something. Thanks.

Julie

-----Original Message-----

From: mforsythe@bloomberg.net [mailto:mforsythe@bloomberg.net]

Sent: Thursday, May 11, 2006 3:06 PM

To: Hodge, Julie

Subject: Re: PROPOSED STANFORD ARTICLE

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APP000346

Julie, there will be no story until Sunday at midnight at the earliest./Mike

Forsythe

----- Original Message -----

From: Julie Hodge <jhodge@stanfordeagle.com>

At: 5/11 13:54:53

Mike

By now, you would have received the package sent to you via Fedex yesterday with the response from Stanford to your inquiry of May 5.

Further to our response yesterday, we wish to advise that we have our own in-house advertising company, Idea Advertising which has done our marketing and promotion now for over 15 years. We have gone back and looked through a vast majority of our marketing pieces, including brochures, magazines, advertisements, corporate communications etc that have been produced over the years and identified well over 30 pieces that mention Lodi Stanford, his heritage and origin of our company. In all of these pieces, there has not ever been any mention of Leland Stanford or any ties to the Stanford family from California whatsoever, with the exception of the 2 pieces that you have already identified, the Eagle Magazine and Corporate Video from 2001/2 which highlight the donation made to the Stanford Mansion restoration project at that time. From the volume of this material, and the only reference to Leland Stanford being mentioned briefly when talking about our donation, it is clear that Stanford Financial Group has not tried to use a family link to Leland Stanford to promote the image of the company, nor do we wish to do so.

If there are any further questions you wish to ask please put them in writing to Suzanne Hamm at shamm@stanfordeagle.com
<<mailto:shamm@stanfordeagle.com>> .

Yours truly,

Julie Hodge

Exec. Asst.

Tel: (305) 960-8531

Fax: (305) 347-9141

EXHIBIT KVT-51

From: Hamm, Suzanne [shamm@StanfordEagle.com]
Sent: Monday, May 08, 2006 5:35 PM
To: Hodge, Julie
Subject: RE: BLOOMBERG REPORTER
Julie --

The reporter has called the following:

- (1) John Santi (he let Danny Bogar know of the call)
- (2) Christy Cornell (she was a hire of John Santi's and he let her go after about 9 months)
- (3) Rocky Stein (he communicated with Rocky via email, a rather odd inquiry asking Rocky to confirm if he was related to Meyer Lansky.) Rocky called me and we agreed it was an inappropriate question and he did not respond.
- (4) Paul Preisser -- employee of Rich Parker (NYC office) who referred the reporter to Rich. Reporter did not respond to Rich's follow-up call.
- (5) There has also been calls made to Baldwin High School (where Laura Pendergest graduated) asking numerous questions about Laura as well as Mr. Davis. The receptionist at the School is Mary-Grace Gentry's Aunt Roberta McKay. (Mary-Grace works for me) and she said that the reporter wanted to know if Mr. Davis taught Laura at school. He also asked her "don't you think Laura is young to be the Chief Investment Officer of Stanford." Aunt Roberta told her she graduated as valedictorian and any other questions to call Stanford. Reporter seemed to know a lot about Laura's personal life and Laura confirmed to me that Christy Cornell (noted above) was one of the few people that had the details. Laura has not spoken to Christy in quite awhile.

Reporter is doing a lot of "fishing" and seems to be targeting ex-employees who may provide leads to continue the fishing expedition. I notified Yolanda of all of these calls and we looped Lisa Williford in from RLM and she called the reporter. During this conversation, he noted that he was just "fishing" but was interested in Stanford. He characterized us as "offshore company making a move domestically."

I think the connection to Stanford University is the "worst" he could dig up. I spoke with Mr. Davis about this on Friday and told him that if we can show even a remote connection then the story is dead. We do not solicit business or profit by promoting a relationship and this is the basis of this so-called story. If we can disprove his assumption that we are promoting a false claim, then any editor will kill the story. Mr. Davis mentioned the idea of having Ben Barnes contact Michael Bloomberg and having him kill the story. If this happens, then it could possibly communicate to the editor and this reporter that we do have something to hide.

Let me know how else I can help.

Thx
Suzanne

From: Hodge, Julie [mailto:jhodge@stanfordeagle.com]
Sent: Monday, May 08, 2006 9:15 AM
To: Hamm, Suzanne; Hawkins, Kelley
Subject: BLOOMBERG REPORTER

Suzanne/Kelley

Can you please send me as soon as possible a list of our employees both current and former whom you are aware were contacted by Bloomberg reporters this year.

Thanks

Julie Hodge
Exec. Asst.
Chairman's Office
Miami, FL
Tel: (305) 960-8531
Fax: (305) 347-9141

EXHIBIT KVT-52

From: Hodge, Julie
Sent: Friday, February 23, 2007 11:56 PM
To: Hodge, Julie; 'ben@benbarnesgroup.com'
Cc: 'Susan Martin'
Subject: RE: Letter responding to PM Spencer

Attachments: Letter to PM Antigua February 23 07.doc
There has been one slight amendment. See final final version attached.

From: Hodge, Julie
Sent: Friday, February 23, 2007 6:47 PM
To: ben@benbarnesgroup.com
Cc: Susan Martin
Subject: Letter responding to PM Spencer

Ben

Attached is the letter that is being published in Antigua tomorrow in response to PM Spencer's release published today.

Regards

Julie Hodge
Executive Assistant
Stanford Financial Group
Miami, FL
(305) 960-8531 Ofc. Tel.
(305) 666-7188 Fax
(954) 235-7411 Cell
jhodge@stanfordeagle.com

EXHIBIT KVT-53

(FINAL FINAL)

February 23, 2007

Prime Minister Spencer,

I was shocked and dismayed today when I read a press release supposedly written under your authorship. The very personal and un-statesmanlike manner in which you railed out at me is something I have never experienced before in my life. To say I am dumbfounded would be an enormous understatement. I must therefore give a public response to your badly misguided and deceitful statements.

Mr. Prime Minister, you have stated and I quote: "We have tried our best to work with Allen Stanford as an investor just as we have done with others. As your government, we have experienced nothing but threats, innuendos and now, downright political interference in our nation's affairs, from Allen Stanford, for our efforts on your behalf."

I take great personal offense to this statement which is nothing short of an outright lie. It is I and others in the Stanford Group of companies who have done their best to work with you and your Government for the greater good of Antigua and Barbuda. Since you came into power Mr. Prime Minister, everything that you have asked me to do, and the list is long, I have complied with. If you interpret my "strutting around" the Grays Green community as interfering with your governmental responsibilities then might I suggest that you follow my lead and do some "strutting around" Grays Green yourself and see first hand how deplorable conditions really are there. As far as our establishing Stanford Community Development offices around Antigua and Barbuda, if you would recall, it was your suggestion that I take our proposed Islands Club development in the North Sound to the grass roots, as you seem incapable of making a decision as to whether this project is one you endorse or not, despite the previous "green light" that your administration had given us and the many meetings that you and I have had on this subject with my full explanation to you of the economic benefits that this would bring to the nation. Therefore, we have begun our "I Believe" campaign to let the citizens of Antigua and Barbuda decide whether this is something that, as a majority, they will endorse and instruct their elected public servants, such as yourself, to truly once and for all give us the green light to proceed with.

However, what I am most appalled and sickened to the core of my soul over, is the manner in which you attempted to paint a picture of myself as a new colonial master and all of those in the Stanford organization as subservient to me by stating, and I quote: "I am sure Antiguan and Barbudans are aware of the many stories related by our first prime minister, the Rt Hon Dr Sir Vere Cornwall Bird, of our colonial past. Many are stories he told of our womenfolk taking their men to the manager of the Antigua Sugar Factory and giving him permission to administer corporal punishment to their men folk on the condition that he would re-employ him so that the children would have some way of being assured of food."

(FINAL FINAL)

Prime Minister Spencer, you owe every Stanford employee in Antigua and Barbuda, whom you have offended in such an insulting and degrading manner, an apology. These are honest, hardworking individuals who do not deserve the disrespect that the leader of our nation has shown them.

I can only come to one conclusion for you issuing such vile and slanderous statements and that is you are attempting to deflect the attention of the citizens of our nation away from your inept leadership, by creating conflict and controversy with the nation's largest private employer and contributor to the economy.

I have given my heart and soul to Antigua and Barbuda, committed myself to excellence, and provided countless opportunities for our citizens. You can rest assured I will continue this long into the future.

Sir Allen Stanford

EXHIBIT KVT-54

Talking Points

1. I want to personally apologize to Prime Minister Spencer for my offensive and inappropriate response to an article that recently appeared in the newspaper. I have personally called and expressed my regret to the Prime Minister.
2. Such behavior was inconsistent with the motivations and intentions that have guided my business practices since coming to the island over two decades ago and will serve as a guidepost for future actions – to foster economic activity, to create jobs and to improve the quality of life for everyone on the island.
3. Clearly arguing with our Prime Minister in public was wrong, and I also apologize to the people of Antigua.
4. I am committed to making life better for all on the island and in the future my words and actions will reflect that sentiment.

EXHIBIT KVT-55

From: Susan Martin [smartin@benbarnesgroup.com]
Sent: Tuesday, October 16, 2007 9:57 PM
To: Stanford, Allen
Cc: Hodge, Julie
Subject: A Note from Ben Barnes
Allen –

I hope you are doing well. I have a few things I'd like to discuss with you.

When you do an Internet search of your name, the majority of the stories that pop up are very positive. However, on Google, a few of the stories have a negative connotation. I have spoken to you in the past about a company (Visible Technologies) that has developed algorithms, which push negative stories down and pull positive stories up. With your permission, I would like to have them contact you again, so you can enlist these services. I think this would go a long way in helping us with our political giving.

I also would like to discuss with you the possibility of hiring a law firm that specializes in federal elections. This representation can ensure that only true information is used in the vetting process. We need to go through the stories line by line to determine fact from fiction. John Rafaelli, Mitch Delk, Wyeth Wiedeman and the other members of the team agree that this is a good strategy.

There are two upcoming fundraisers that I want to talk to you about. The first one is for Senator Kay Bailey Hutchison, which is scheduled at my DC office Monday, October 22. I have talked Yolanda into attending this event, and a meeting with the team will follow to discuss current giving issues and the VI legislation. The second one is for Speaker Nancy Pelosi, which is scheduled at my Austin home Sunday, October 28. I would like to visit with you further about this by telephone.

I've heard that Charlie Rangel has passed the VI legislation out of committee, but George Bush plans to veto it. I have some strategic ideas that I'd like to run by you.

Currently, I am in my Austin office (512-322-0128), I'll be in my DC office tomorrow (202-467-4141), or you can reach me by cell phone (512-415-1414).

Best regards,

Ben

EXHIBIT KVT-56

From: Hodge, Julie

Sent: Tuesday, April 18, 2006 6:00 PM

To: Hughes, Kay-La

Subject: GIFT FOR BOOK LAUNCH

Kay-La, my lady of corporate gift-giving.

We have a business associate and friend of Mr. Stanford's....Mr. Ben Barnes, whose book "Barn Burning, Barn Building – Tales of a Political Life from LBJ to George W. Bush and Beyond" is launching on April 27.

Any ideas as to what we can get as a congratulatory gift to him? He and RAS go way back and are always joking around.

Any thoughts?

CONFIDENTIAL

RECEIVER527-00282362

APP000360

EXHIBIT KVT-57

SEP 30 2004 4:20PM

Ben Barnes Group

No. 1510 P. 2/2



BEN BARNES GROUP

September 30, 2004

Dr. Tino Alcides Diaz
Despacho del Superintendente
Superintendencia de Bacos y Otras Instituciones Financieras
Av. Universidad, Esquina Traposos, Edificio SUDEBAN
Apartado Postal 6761 Codigo Postal 1010
Caracas, Venezuela

Dear Sir:

I have been asked to write this letter of recommendation in support of Mr. R. Allen Stanford and his application to SUDEBAN for approval of Stanford Holdings Venezuela as the acquiring shareholder of a commercial bank in Venezuela.

I have known Mr. Stanford for more than 25 years on both a personal and professional level. Mr. Stanford is a highly successful individual and known to be a man of strong character and integrity. All of his business dealings have always been conducted to the highest possible standards, and I have no doubt that the approval of this application would result in a positive addition to the financial services industry in Venezuela.

I have no reservation in recommending that R. Allen Stanford and his companies be given every possible courtesy and consideration.

Regards,

Ben Barnes

CHICAGO
123 North Wacker Drive, Suite 1800 | Chicago, IL 60606
PHONE 312.474.7943 FAX 312.474.7898

TEXAS
98 San Jacinto Boulevard, Suite 250 | Austin, TX 78701
PHONE 512.322.0128 FAX 512.322.0106

WASHINGTON, DC
1215 19th Street, NW | Washington, DC 20036
PHONE 202.467.4141 FAX 202.467.4142

CONFIDENTIAL

RECEIVER527-00222802

APP000362

EXHIBIT KVT-58

From: Stanford, Allen
Sent: Friday, November 16, 2007 5:44 PM
To: Walker, Kye; Suarez, Yolanda
Cc: Hill, Karen
Subject: Re: Cuba research

Get this done asap RAS

----- Original Message -----

From: Walker, Kye
To: Suarez, Yolanda
Cc: Hill, Karen; Stanford, Allen
Sent: Fri Nov 16 11:07:03 2007
Subject: Cuba research

Hello Yolanda-

Per our conversation yesterday I am following up with what Karen-Mae and I have compiled thus far. Let me know whether I should FedEx a hard copy to your office.

TO: Yolanda

FROM: Karen-Mae and Kye

RE: Cuba's participation in Stanford 20/20 Tournament

DATE: November 16, 2007

CC: Sir Allen

Yolanda-

As you know, the Treasury Department through the Office of Foreign Assets Control denied the request of Stanford 20/20 to have Cuba participate in next year's tournament. Mr. Stanford wants to move forward in the hopes that OFAC will reconsider its denial and allow Stanford 20/20 to make an oral presentation to OFAC. In that effort, he seeks to retain outside counsel to advise Stanford 20/20 on how to proceed with OFAC and advise us of other strategies available to Stanford 20/20.

Karen-Mae and I have compiled all the written correspondence and have attempted to memorialize all the other communications with both the State and Treasury Departments. We have also chronicled Stanford 20/20's interaction with Cuba thus far to give you an overall picture of what has occurred. Our preliminary research of the Cuba Assets Control

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RECEIVER527-00230134

APP000364

Regulations shows that they allow for an oral presentation before OFAC, a reopening of a denial by OFAC and reapplication for a license. We have also looked into the steps taken by the Major League Baseball and Player's Associations to secure Cuba's participation in the World Baseball Classic held last year in the U.S., Puerto Rico, and Japan. In doing this research, we have discovered the name of an attorney, Wynn Segall of Akin Gump, who appears to be one of the leading experts on OFAC and economic sanctions and controls. We have included both his bio and that of Attorney Joseph Warin of Gibson Dunn (referred to us by Ben Barnes), along with two other attorneys for your comment.

Let us know when you are available to discuss.

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RECEIVER527-00230135

APP000365

EXHIBIT KVT-59

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

-----X
RALPH S. JANVEY, IN HIS CAPACITY)
AS COURT-APPOINTED RECEIVER FOR)
THE STANFORD INTERNATIONAL BANK,)
LTD., et al.,)
)
Plaintiff,)
)
v.) Civil Action No.
) 3:10-cv-527
BEN BARNES and)
BEN BARNES GROUP, L.P.,)
)
Defendants.)
)
-----X
BEN BARNES GROUP, L.P.,)
)
Third-Party Plaintiff,)
)
v.)
)
Capitol Counsel, LLC, et al.,)
)
Third-Party Defendants.)
)
-----X

VIDEOTAPED DEPOSITION OF
ROBERT MITCHELL DELK
Washington, District of Columbia
Monday, September 29, 2014

Reported by: Cindy L. Sebo, RMR, CRR, RPR, CSR, CCR,
CLR, RSA, LiveDeposition Authorized Reporter
Job No. 12469

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September 29, 2014

11:16 A.M.

Videotaped deposition of ROBERT MITCHELL
DELK, taken by the Plaintiffs, held at the law
offices of Butzel Long, 1747 Pennsylvania Avenue,
Northwest, Washington, D.C. 20006, before Cindy L.
Sebo, Registered Merit Court Reporter, Certified
Real-Time Reporter, Registered Professional
Reporter, Certified Shorthand Reporter, Certified
Court Reporter, Certified LiveNote Reporter,
Real-Time Systems Administrator, LiveDeposition
Authorized Reporter and Notary Public in and for
the District of Columbia, beginning at approximately
11:16 a.m., when were present on behalf of the
respective parties:

1 A P P E A R A N C E S:

2

3 Attorney for Plaintiffs:

4 BUTZEL LONG

5 JOSHUA E. ABRAHAM, ESQ.

6 Suite 850

7 230 Park Avenue

8 New York, New York 10169

9 212.374.5370

10 abraham@butzel.com

11 -and-

12 BUTZEL LONG

13 AGHOGHO EDEVBIE, ESQ.

14 Suite 100

15 150 West Jefferson

16 Detroit, Michigan 48226

17 313.983.6950

18 edevbie@butzel.com

19

20

21

22

23

24

25

1 A P P E A R A N C E S (Continued):

2

3 Attorney for Defendants/Third-Party Plaintiff:

4 WINSTEAD PC

5 JAY J. MADRID, ESQ.

6 500 Winstead Building

7 2728 N. Harwood Street

8 Dallas, Texas 75201

9 214.745.5709

10 jmadrid@winstead.com

11

12 Attorney for Third-Party Defendants:

13 NEALON & ASSOCIATES, P.C.

14 JAY IAN IGIEL, ESQ.

15 119 North Henry Street

16 Old Town

17 Alexandria, Virginia 22314

18 703.684.5755

19 jigiel@nealon.com

20

21

22 ALSO PRESENT:

23 RICK SANBORN, Videographer

24

25

1 INDEX OF EXAMINATION

2

3 ROBERT MITCHELL DELK

4 EXAMINATION BY PAGE

5 Mr. Abraham 10

6 Mr. Madrid 211

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10 (Exhibits Attached to the Original Transcript.)

11 DELK

12 EXHIBIT DESCRIPTION PAGE

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15 Mitchell Delk's Responses to
16 Plaintiff's First Request for
17 Production of Documents 16

18

19 Number 2 Third-Party Defendant Robert
20 Mitchell Delk's Responses to
21 Plaintiff's First Set of
22 Interrogatories 109

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3		Loumiet, Delk, Reed and Caperton,	
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1 ROBERT MITCHELL DELK
2 P R O C E E D I N G S

3
4 Washington, D.C.
5 Monday, September 29, 2014; 11:16 a.m.

6
7 THE VIDEOGRAPHER: This is the --
8 Tape Number 1 of the videotaped deposition
9 of Robert Mitchell Delk in the matter of
10 Ralph S. Janvey, et al. versus Ben Barnes,
11 et al.; and Ben Barnes Group, L.P. versus
12 Capitol Counsel, LLC, et al. filed in the
13 United States District Court for the
14 Northern District of Texas, Dallas
15 Division, Case Number 3:10-cv-527.

16 This deposition is being held at the
17 offices of Butzel Long, 1747 Pennsylvania
18 Avenue, Northwest, Washington, D.C. on
19 September 29th, 2014.

20 The time on the video monitor is
21 11:16 a.m.

22 My name is Rick Sanborn from the
23 firm of TransPerfect Deposition Services,
24 and I'm the legal video specialist. The
25 court reporter is Cindy Sebo, also in

1 ROBERT MITCHELL DELK
2 association with TransPerfect.

3 Will counsel please introduce
4 themselves and state whom they represent?

5 MR. ABRAHAM: Joshua Abraham for the
6 Official Stanford Investors Committee.

7 MR. EDEVBIE: Aghogho Edevbie for
8 the Official Stanford Investors Committee.

9 MR. MADRID: Jay Madrid representing
10 Ben Barnes Group, L.P. and Ben Barnes,
11 individually.

12 MR. IGIEL: Jay Igiel on behalf of
13 the former Third-Party Defendants,
14 including the deponent, Mitchell Delk.

15 THE VIDEOGRAPHER: Thank you.

16 Will the court reporter please swear
17 in the witness?

18 - - -

19 ROBERT MITCHELL DELK,
20 after having been first duly sworn, was
21 examined and testified as follows:

22 - - -

23

24

25

1 ROBERT MITCHELL DELK

2 - - -

3 EXAMINATION BY COUNSEL PLAINTIFFS,
4 OFFICIAL STANFORD INVESTORS COMMITTEE

5 - - -

6 BY MR. ABRAHAM:

7 Q. Thank you for appearing and
8 testifying --

9 A. Sure.

10 Q. -- today, Mr. Delk.

11 My name is Joshua Abraham. I
12 represent the Official Stanford Investors
13 Committee in a lawsuit against Ben Barnes.

14 Have you ever been deposed before?

15 A. Yes.

16 Q. And when -- when, about, was that?

17 A. It's been five or six years.

18 Q. And do you recall what that
19 dispute -- that involved?

20 A. I was -- worked for a major
21 corporation, Freddie Mac, that had accounting
22 issues, and I was deposed in a regulatory setting
23 regarding that.

24 Q. And who deposed you?

25 A. The Federal Election Commission.

1 ROBERT MITCHELL DELK

2 Q. Okay. Were you a -- a defendant in
3 that action --

4 A. I was --

5 Q. -- or just a witness?

6 A. -- the complainant that -- and it
7 was -- yes.

8 Q. Okay. And how was that action
9 resolved?

10 A. It -- I, personally, was dismissed
11 from the suit.

12 Q. Okay. So you're familiar with --
13 with the process of -- of being deposed?

14 A. Well, I've been deposed before, so
15 I'm as familiar as I could be having engaged in
16 it one time.

17 Q. I see.

18 Well, the way it works, as you -- as
19 you're aware, is I'm going to ask you a series of
20 questions --

21 A. Okay.

22 Q. -- please answer them as truthfully
23 as you can --

24 A. Okay.

25 Q. -- and to the best of your

1 ROBERT MITCHELL DELK

2 recollection.

3 If you don't understand a question,
4 please let me know.

5 A. Okay.

6 Q. If you need to take a break, for
7 whatever reason, just let me know, and I'm happy
8 to accommodate that.

9 A. That's great.

10 Thank you.

11 Q. There may be a point where your --
12 your attorney or Mr. Barnes' attorney objects to
13 a question. You still need to answer the
14 question, unless your attorney specifically
15 instructs you not to.

16 A. Okay.

17 Q. Is there any reason why you feel you
18 can't testify today?

19 A. No.

20 Q. Okay. And not taking any
21 medications that you think may affect --

22 A. No.

23 Q. -- your testimony?

24 Can you tell me what you did to
25 prepare for this deposition?

1 ROBERT MITCHELL DELK

2 A. I had a very brief conversation with
3 my counsel and -- on Friday, and then a brief
4 conversation when we walked in the door.

5 Q. And we, you and I, have never met or
6 spoken before, correct?

7 A. No.

8 Q. Did you speak with Mr. Barnes'
9 attorney prior to this deposition?

10 A. No, not other than an introduction.

11 Q. Just now?

12 A. Yes.

13 Q. Okay.

14 And have you spoken with Ben Barnes
15 in preparation of this deposition?

16 A. No.

17 Q. When was last time you spoke with
18 Ben Barnes?

19 A. Oh, I guess six, eight months ago, a
20 year ago. I'm not really sure. I -- I've seen
21 him periodically. He is a family friend of my
22 father-in-law's, and I had seen him at a soc- --
23 some social event in Texas within the last year.

24 Nothing about this case was ever
25 discussed.

1 ROBERT MITCHELL DELK

2 Q. And that's what I was going to ask
3 you --

4 A. Yeah.

5 Q. -- did you discuss anything --

6 A. No.

7 Q. -- about this case?

8 Have you -- have you ever discussed
9 the -- the facts or -- or circumstances of this
10 case with Ben Barnes?

11 A. No.

12 Q. Any -- have you discussed the facts
13 and circumstances of this case with any employee
14 of -- of Ben Barnes Group, L.P.?

15 A. No.

16 Q. Did you review any documents to
17 prepare for your testimony today?

18 A. I -- I looked over a few documents.
19 To be candid with you, Jay sent me some
20 documents. I was out of town all weekend, didn't
21 get back until late last night. So I just
22 perused them very quickly.

23 And so I might need you to show me
24 documents if it's something that I'm not familiar
25 with.

1 ROBERT MITCHELL DELK

2 Q. Okay. Do you recall the documents
3 that -- that Jay sent you in -- in your --
4 what -- you know, in your perusal of those
5 documents, do you recall what you looked at?

6 A. It was several e-mails. It --
7 the -- I would say, as I recall, maybe eight to
8 10 documents, several e-mails, but nothing that
9 really seemed particularly noteworthy, to me.

10 Q. Are these the documents that you
11 produced in this case? Do you recall?

12 A. No.

13 Q. These were other documents?

14 A. Yes.

15 Q. How do you know -- why do you recall
16 that -- these being other documents and not the
17 documents you produced?

18 A. Because I had not seen the documents
19 in a long time when they were shown to me by --
20 by my counsel.

21 Q. Okay. Do you recall receiving
22 document requests from my office?

23 A. I assume. So these would be
24 the -- the interrogatories.

25 Q. Okay. Did you -- did you receive,

1 ROBERT MITCHELL DELK

2 in addition to interrogatories, requests for the
3 production of documents?

4 A. It -- it would have gone through
5 counsel. And I -- I -- whatever has been
6 presented to counsel, we've been cooperative in
7 presenting any and everything we've had.

8 Q. Okay.

9 MR. ABRAHAM: I'm going to mark this
10 as Exhibit -- Exhibit 1.

11 - - -

12 (Whereupon, Third-Party Defendant
13 Robert Mitchell Delk's Responses
14 to Plaintiffs' First Request for
15 Production of Documents was
16 marked, for identification
17 purposes, as Delk Exhibit
18 Number 1.)

19 - - -

20 (Sotto voce discussion.)

21 MR. ABRAHAM: Thank you.

22 BY MR. ABRAHAM:

23 Q. I'm handing you what's been marked
24 as Delk 1, Exhibit Delk 1.

25 If you could just take a moment and

1 ROBERT MITCHELL DELK

2 review this document.

3 (Whereupon, the witness reviews the
4 material provided.)

5 THE WITNESS: Okay.

6 BY MR. ABRAHAM:

7 Q. Does this document look familiar to
8 you, Mr. Delk?

9 A. I think it does.

10 Q. What's your understanding of what
11 this document is?

12 A. I think this was our -- our response
13 to the interrogatories that you sent.

14 Is that correct?

15 Q. The document's titled, Third-Party
16 Defendant Robert Mitchell Delk's Responses to
17 Plaintiffs' First Request --

18 A. Okay.

19 Q. -- for Production of Documents.

20 Does that refresh -- refresh your --

21 A. Yes.

22 Q. -- recollection?

23 Okay. And --

24 THE COURT REPORTER: You have to let
25 him finish the question.

1 ROBERT MITCHELL DELK

2 THE WITNESS: Sorry.

3 BY MR. ABRAHAM:

4 Q. -- and you recall reviewing this
5 document?

6 A. I do.

7 Q. Okay.

8 And can you tell me the steps that
9 you took to search for documents that are
10 responsive to this request?

11 A. Well, I went through files that I
12 have. I'm kind of a -- a singled [verbatim]
13 individual, working on kind of public policy
14 issues. And to the extent I had any records on
15 them, I produced them for my counsel.

16 Obviously, there was some issues
17 that go back over 10 years that I had no records
18 of. Also, I had, in fact -- had an office in the
19 Ben Barnes Group working on several clients for
20 Mr. Barnes helping him, and I didn't have access
21 to that information.

22 But to the extent I had
23 documentations that were relevant to your
24 request, they were provided to my counsel --

25 Q. Okay.

1 ROBERT MITCHELL DELK

2 A. -- with those two limitations.

3 Q. And of the documents that you found
4 and produced, where -- where were they stored?

5 A. At my home where, you know --

6 Q. Okay.

7 A. -- not in a very organized fashion.

8 But I went through every document that I had
9 where I'd had copies, and we went through my hard
10 drive looking for anything relevant to this case.

11 Q. So this would include physical
12 documents --

13 A. Yes --

14 Q. -- as well as --

15 A. -- yes.

16 Q. -- as well as documents on your
17 computer?

18 A. Correct.

19 Q. And did you undertake a search of
20 any e-mail accounts that you used for responsive
21 documents?

22 A. Yes.

23 As I said to the previous question,
24 I had an e-mail address at the Ben Barnes Group,
25 which I did not have access to, but my assumption

1 ROBERT MITCHELL DELK

2 was, is that they probably submitted that in
3 their responses. But I didn't have access to
4 those documents.

5 Q. You said that you had an office at
6 Ben Barnes Group?

7 A. Correct.

8 Q. Where was that office located?

9 A. On 19th Street in Washington, D.C.

10 Q. Do you still maintain an office
11 there?

12 A. No.

13 Q. And how long did you maintain an
14 office at the Ben Barnes Group?

15 A. Several years. As I said, worked --
16 I was supporting him on several of those clients.
17 And to accommodate both parties, he provided me
18 an office.

19 Q. And when did you cease maintaining
20 office space at that location?

21 A. I can't give you an exact date. I
22 would say it was probably about the time that I
23 was brought in as a Third-Party Defendant.

24 Q. Understandable.

25 A. Inexplicable and understandable.

1 ROBERT MITCHELL DELK

2 Q. That would be in around -- around
3 2011, to the best --

4 A. I think --

5 Q. -- of your recollection?

6 A. -- that's correct.

7 Not to be flip.

8 Q. Okay. I'd like you to turn to

9 Page 5 --

10 A. Okay.

11 Q. -- of the document.

12 And on Page 5, you'll see

13 Request Number 3. And that request seeks, quote,
14 All contracts and written agreements between you
15 and the Ben Barnes Defendants referring or
16 relating to the Stanford parties --

17 A. Correct.

18 Q. -- end -- end quote.

19 Your response to this request is
20 that Third-Party Defendant has no responsive
21 documents as it never entered into any written
22 contract or agreement with the Ben Barnes
23 Defendants?

24 A. That's correct.

25 Q. You testified that you worked with

1 ROBERT MITCHELL DELK

2 Ben Barnes and his entity for a number of years.

3 Was it your practice not to enter
4 into written agreements with Ben Barnes?

5 A. Correct. It was -- it -- it was an
6 oral agreement with him.

7 Q. And was that your practice with
8 respect to all work or engagements that you did
9 for him or on his behalf?

10 A. Yes. I never had a written
11 agreement with him. It was purely an oral
12 contract with him.

13 Q. Why was that?

14 A. I had known him a long time, and he
15 would ask me to come in and support him on
16 particular clients that he represented and -- and
17 said he would give me, you know, a retainer for
18 doing so, and I did it. I think that's kind of
19 the common practice in Washington with these
20 types of representations.

21 Having said that, there were other
22 clients that I had represented where there have
23 been contracts; but in this particular case,
24 there was not. I never asked for one. He never
25 offered one.

1 ROBERT MITCHELL DELK

2 Q. Is there a reason why you never
3 asked for one?

4 A. I -- no. I just didn't think one
5 was necessary.

6 Q. And why is that?

7 A. I'd had a relationship with him. I
8 had known him for a number of years.

9 Q. Okay.

10 I'd like you to turn to Page 4 of
11 the document, and I'd like you to look at your
12 response to Request Number 1.

13 And let me know when you're -- when
14 you're -- when you've done doing that -- when
15 you're done doing that.

16 (Whereupon, the witness reviews the
17 material provided.)

18 THE WITNESS: Okay.

19 BY MR. ABRAHAM:

20 Q. Your response references a computer
21 that you used in the offices of Ben Barnes Group,
22 L.P.

23 Do you recall what you stored on
24 that computer or how you used that computer?

25 A. I -- I -- just in the normal course

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2 of, you know, operating out of that office,
3 e-mails -- that was essentially it. Maybe the
4 creation of doc- -- Word documents.

5 Q. And did you take any steps to -- to
6 get access to that computer?

7 A. No.

8 Q. And why -- why is that?

9 A. Well, as I said, I had pretty much
10 left that office and had not really had
11 communication with that office because I was
12 brought in as a Third-Party Defendant. And I
13 just didn't think it was appropriate. And I
14 didn't have access to the computer to begin with.

15 Q. Do you know what happened to that
16 computer?

17 A. I have no idea.

18 Q. In your response to this request,
19 you also state that -- and I guess this is a bit
20 of a tangent, but you state that Since 2011, you
21 have, quote, done substantial pro bono work for
22 the Network for Investor Action and Protection
23 (NIAP) in order to influence legislation that
24 would assist the victims of the Stanford Ponzi
25 scheme and similarly situated individuals.

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2 A. Correct.

3 Q. What is the NIAP?

4 A. Well, let me give you a little bit
5 of background on this.

6 NIAP is an organization -- a
7 501(c)(4) that was formed to really benefit the
8 Madoff victims. There was -- in -- in the
9 aftermath of the Madoff Ponzi scheme debacle.

10 SIPC, the Securities Investor
11 Corporation -- Protection Corporation, had really
12 taken some bizarre positions regarding some of
13 the -- many of the victims. As you might know,
14 when there is a -- a failure of a broker/dealer,
15 SIPC is supposed to pay people up to \$500,000 for
16 their claims, and the SIPC did not do that.

17 In addition, they initiated a number
18 of clawback lawsuits against, what I would say,
19 innocent individuals who were, quote, net
20 winners, meaning that they had invested money and
21 taken money out, but they had made more than they
22 had lost.

23 And so there was legislation --
24 bipartisan legislation in the House to correct
25 what SIPC was doing, because many Members of

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2 Congress thought it was inconsistent with the
3 original intention of the 1970 legislation. And
4 I was helping with that.

5 There was a group that, in fact,
6 represented the Stanford victims, the group I
7 believe that you represent, and they ended up
8 coming to this NIAP group and saying they'd like
9 to join forces. Because, as you probably know,
10 SIPC took a bizarre interpretation of the statute
11 with the Stanford victims saying that they were
12 not, quote, customers as defined by the statute
13 and, therefore, they were not entitled to the --
14 the SIPC advance.

15 And so the legislation was -- you
16 know, covered them to make sure that, in fact, if
17 you were a customer of broker/dealer, you would,
18 in fact, be, in fact, a customer.

19 And I've worked on that, really, for
20 two to three, almost four years on a pro bono
21 basis.

22 Subsequent to those two debacles or
23 failures, there is one in upstate New York,
24 McGinn, Smith. And it also -- they took -- SIPC
25 took a similar interpretation that the customers

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2 of the broker/dealer were not, quote, customers
3 as defined by the statute. And so people in that
4 situation were not given the SIPC advance.

5 So there's legislation introduced in
6 the House that has about 60 bipartisan cosponsors
7 and legislation introduced in the Senate that has
8 a number of bipartisan cosponsors. And I've
9 worked to try to, you know, help give them
10 strategic counsel on how to, in fact, get this
11 passed.

12 So --

13 Q. NIAP is an organization which was
14 founded by net winners?

15 A. No. It was -- it was founded by
16 people who were adversely impacted by the Madoff
17 debacle, including net winners. But there were a
18 lot of people who were net losers, but they
19 didn't get the SIPC advance because of the SIPC
20 taking interpretations about who was, in fact, a
21 customer.

22 Q. Is it NIAP's position that SIPC
23 should cover losses incurred by net winners?

24 A. Well, I'm -- I'm not sure what their
25 position would be on that. They were more

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2 dealing with net losers on the SIPC. What they
3 were dealing with more on the net winners was the
4 potential for clawback, meaning if somebody was
5 an innocent victim, why, in fact, should they, in
6 fact, be able to go back to the trustee and get
7 money back from these people if it couldn't be
8 proven they knew nothing about the Ponzi scheme.

9 Q. And how did you come to do pro bono
10 work for this organization?

11 A. I was just approached by them
12 because of my knowledge of kind of financial
13 services laws and my relationship with people who
14 deal with those policy issues.

15 Q. Who approached you?

16 A. It was a guy named Jim Smith and
17 Andy Barbour who run an organization, a lobbying
18 firm, called Smith-Free.

19 Q. And why did they approach you?

20 A. Well, they were doing pro bono work
21 since, I think, 2007 and just, you know,
22 explained the issue to me and said, We'd like to
23 have you help us if you would. So I did it.

24 Q. And how many hours have you
25 worked --

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2 A. I -- I couldn't --

3 Q. -- on a pro bono basis?

4 A. -- quantify that.

5 There's -- a lot.

6 Q. Well, how -- how much would you
7 estimate?

8 A. Well, you know, I don't know, five,
9 10 hours a week. We have a call on Mondays at
10 4 o'clock that last two hours, so I can tell you
11 it's at least two hours a week.

12 But there's been a lot of action
13 trying to get this passed. There's -- in the
14 House. There's -- Congressman Garrett from
15 New Jersey is trying to pass this, and he's
16 having problem getting it through his own
17 committee because of the chairman has problems
18 with the bill. And so they're trying to work
19 this through.

20 So there's been a lot of back and
21 forth to try to get relief for the victims.

22 Q. And, specifically, what kind of work
23 do you do for NIAP?

24 A. Everything from kind of legislative
25 regulatory counsel; giving them grassroots

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2 counsel, how to get -- execute that; public
3 relations counsel, how to, in fact, tee up the
4 issues so, in fact, people understand what's
5 going on; educational kind of strategic de- --
6 advice.

7 Q. Do you know if Ben Barnes has done
8 any work for NIAP?

9 A. No. I know -- yeah, he hasn't
10 worked with us, no.

11 Q. And you testified earlier that you
12 work for yourself; is that correct?

13 A. Yes.

14 Q. And you consider yourself
15 self-employed?

16 A. Yes.

17 Q. Do you have an entity or -- or
18 d/b/a?

19 A. No. I just do it -- I -- I call
20 myself, where relevant, The Public Policy and
21 Advocacy Group, but it's -- it's just me. And,
22 you know, on issues that I work on, if I see a
23 void for a particular relationship or a
24 subject-matter expert that's needed, then I'll
25 partnership with somebody else. And that's the

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2 way I've historically done it.

3 Q. And how long have you been
4 self-employed?

5 A. About 10 years.

6 Q. And prior to that, where did you
7 work?

8 A. I was at Freddie Mac.

9 Q. For how long?

10 A. For 13 years.

11 Q. What did you do at Freddie Mac?

12 A. I ran their Government relations,
13 their external relations, their relationship with
14 regulators, dealt with policy issues in the
15 public policy arena, kind of what one would do in
16 managing an office for a large Fortune 100
17 company.

18 Q. Did you have a title at Freddie Mac?

19 A. Yeah. I was the Senior Vice
20 President for Government Relations and Public
21 Policy.

22 Q. So that involved lobbying and --

23 A. Yes --

24 Q. -- formulating --

25 A. -- it was -- it was more of a

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2 management position. I mean, it was an office
3 that involved about 25 people and about 25 or 30
4 consultants. It was a -- so you were kind of
5 making sure everybody was understanding the
6 issues that were relevant to the company, and it
7 was executing them -- the strategy in a way that
8 tried to achieve the outcome that was most
9 advantageous for the company.

10 Q. And prior to Freddie Mac, where did
11 you work?

12 A. Well, a little bit of my background,
13 I'm a lawyer by training. I came to Washington
14 at the end of '79. I worked on the Hill for
15 six years of which the last three or four years,
16 I was counsel to the Senate Banking Committee.

17 I then left and chose to try to get
18 some practical education in the financial
19 services area, and I went to First Boston and did
20 investment banking for four to five years.

21 I came back and was counsel to the
22 chairman of the SEC for two years when
23 Richard Breeden was the chairman. And then I
24 went to Freddie Mac and was there for 13 years.

25 So my whole experience has been kind

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2 of in the financial services arena.

3 Q. So you would describe yourself as a
4 lobbyist?

5 A. Yeah.

6 Q. Okay. What is -- what is it -- what
7 is a lobbyist?

8 A. Well, a lobbyist is in eyes of the
9 beholder. I don't know what you think a lobbyist
10 does, but I -- you know, I will end up, in fact,
11 interfacing with Members of Congress and their
12 staff, who, in fact, influence public policy in
13 the area of financial services.

14 I will work with clients on
15 designing strategies to try to get the best
16 outcome for them on legislative ideas, regulatory
17 issues.

18 And as I said, with the NIAP, I
19 mean, it goes all the way from public relations
20 to grassroots organization and -- to the actual,
21 you know, advocacy for a particular position to a
22 particular piece of legislation.

23 Q. And as a lobbyist, do you have any
24 registration requirements?

25 A. Yes.

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2 Q. And what are those?

3 A. You have to register with the
4 Congress, both the House and the Senate; and you
5 have to -- if you're paid by a client, you have
6 to, in fact, register each quarter on how much
7 you're paid --

8 Q. And who --

9 A. -- and --

10 Q. -- who do you register with?

11 A. With the House --

12 Q. With the House?

13 A. -- the House and the Senate off- --
14 Clerk's office.

15 Q. In -- in -- in that registration,
16 you have to disclose who your clients are?

17 A. That are paying clients.

18 Q. What about nonpaying clients?

19 A. I -- I -- there's no obligation, I
20 don't think, to -- to do -- like NIAP, for
21 example, I will start registering for them, but
22 I -- I mean, I haven't been paid by them.

23 So it was -- I'm just doing it just
24 to in- -- include my -- increase my
25 representation on the -- the filings.

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2 But you have to put, you know, what
3 your quarterly fees are. You also have to file a
4 document indicating campaign contributions that
5 you make, who they go to --

6 Q. You -- you, personally, or your
7 clients?

8 A. Me, personally --

9 Q. Okay.

10 A. -- because -- that's one of the
11 requirements as a lobbyist.

12 Q. Okay. I'm sorry I interrupted you.

13 A. No, no, that's fine.

14 Q. You testified earlier that you have
15 a focus on financial services; is that correct?

16 A. Um-hum.

17 Q. How would you describe that?

18 A. Well, it runs the gamut from
19 entities that are -- are -- you know, have a
20 nexus with the -- the Federal Government or State
21 Governments that, you know, run from banking to
22 brokerage firms, insurance companies and the
23 like. And issues that, in fact, relate to them
24 go kind of all over the board.

25 Q. Do you accept engagements for

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2 nonfinancial services work?

3 A. Yes, I have; but that's kind of my
4 expertise. I mean, I've been brought in on a
5 couple of issues that are, per se, not financial
6 in nature -- financial services in nature.

7 Q. Do you recall what those issues
8 were?

9 A. Well, I'm working, for example, on
10 one issue now that is a company trying to buy the
11 Low-Income Housing Tax Credits from Freddie Mac.

12 They had previously had a contract
13 with the company when they went into the
14 conservatorship. The Treasury blocked it; and
15 we've tried to, in fact, argue, in fact, it's in
16 the company and the Treasury's benefit to do
17 that, for example.

18 So I'm helping them try to figure
19 out a strategy both how to deal with the
20 Treasury, how to deal with their regulator for
21 the Housing Finance Agency, how to deal with the
22 company who is at a loss on how to deal with this
23 because they don't have any Government relations
24 professionals, as well as, you know, Members
25 of -- of Congress who have an interest in the

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2 issue.

3 That's just an example.

4 Q. Okay. Do you market yourself as
5 somebody with financial services expertise?

6 A. Yes, I would. I mean, you know,
7 "marketing" is kind of an interesting term. I
8 mean, people normally come to me. I found that
9 going out and trying to do cold calls to try to
10 get work really doesn't work. People find that
11 they need somebody with a niche or somebody with
12 a particular relationship, and they would come,
13 you know, to me for that.

14 I mean, I've been doing it for a
15 long, long time. And so, you know, in the
16 financial services circles, I think people --
17 they understand what I do, what my success rate
18 has been, how I approach, you know, the issues,
19 and seem to be pleased with the -- with that
20 approach.

21 Q. You mentioned success that you've
22 had.

23 Are there any notable successes
24 that -- that come to mind in the financial
25 services sector?

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2 A. Well, I can give you one. When I
3 was -- just as an example, when I was at Freddie
4 Mac, Freddie Mac was under assault from a number
5 of detractors arguing that there was not
6 sufficient transparency and that their regulator,
7 in fact, was not a competent regulator. The
8 result was the stock price was depressed as a
9 result of that.

10 I designed a program whereby we
11 would go to the Government and to the Members of
12 the Hill who oversaw us and would make a
13 disclosure of six relevant item -- items that
14 really were emanating from Basel, the
15 international financial institute regulator. And
16 without going into details, we made this
17 announcement, which was extremely noteworthy
18 and -- and well received.

19 We made six disclosures that no
20 financial institution in the world was making.
21 And as a result, from the end of October to the
22 end of December, our stock price doubled, which
23 benefited shareholders about \$50 billion of
24 Freddie Mac and Fannie Mae.

25 So that's, you know, a pretty

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2 noteworthy outcome.

3 Q. Any other noteworthy successes?

4 A. Well, yeah. I could go down them,
5 you know, all day long if you want to talk about
6 them. I mean --

7 Q. Well, maybe not all day long --

8 A. Okay --

9 Q. -- a couple more.

10 A. -- I made a number of -- you know,
11 during -- when I was at Freddie Mac, there was
12 many efforts to try to put a -- a user fee on the
13 company, and we were able to deride and -- and --
14 and derail that effort many, many times.

15 Q. What do you mean "user fee"?

16 A. Congress wanted to raise revenues by
17 putting a fee on the securities we issued,
18 recognizing the sheer volume of securities that
19 was issued by the two companies. We produce a
20 lot of money. And we turned that into a tax
21 rather than a user fee, which I think it would
22 have been, and we were able to derail that --

23 Q. By "securities," you mean bonds?

24 A. -- yes; right .

25 Yes.

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2 Q. So you were successful in converting
3 that fee into a tax?

4 A. Right.

5 Q. And how -- how did that benefit the
6 company?

7 A. Well, we were successful in
8 depicting what people were trying to do as a tax
9 on homeownership, and, therefore, Members of
10 Congress thought that's a bad idea once they
11 understood it differently than a user fee.

12 That would -- you know, it would
13 have really harmed the company, but it would have
14 harmed homebuyers more than it would have
15 harmed -- harmed the two companies, I would
16 argue, because that fee would have been passed
17 on.

18 One other example, the reason I even
19 went to Freddie Mac was they were under assault
20 because they were two large companies without a
21 financial regulator at the Federal Government
22 level.

23 I came in and designed a piece of
24 legislation that was very state of the art that
25 created a regulatory structure of the company --

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2 over the company. But what it also, then, did
3 was it embedded a risk-based capital standard,
4 meaning that you paid -- you had to hold capital
5 commensurate with the risks that you undertook.
6 Never had that been happened -- had that happened
7 before.

8 There's been a lot of talk about it
9 now because Geithner did it as a way of the
10 recovery. But we did it. And we designed not
11 only a model to show, really, what the capital
12 requirements should be, but we designed the model
13 and had that model essentially written to
14 statute, which is pretty unprecedented.

15 It gave some flexibility to the
16 regulator, but we knew that complete regulatory
17 discretion would work totally with our
18 disadvantage, and so we had the specificity
19 included in the statute; first it's ever -- time
20 it's ever happened in the history of financial
21 services.

22 And why that is valuable for the
23 company was banks, because there're 8,000 banks,
24 they're charged, really, a -- they have a capital
25 assessment based off of a ratio of their assets,

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2 4 percent of their assets; they had to hold that
3 much capital. We thought that that was a poor
4 way of judging capital -- I mean, judging risk.

5 And, secondly, we thought that, in
6 fact, mortgages were pretty predictable in what
7 their risks were; and we thought that that would
8 be penalizing the company.

9 And, in fact, the Congress bought
10 that and, in fact, embraced the risk-based
11 capital standard, which really reduced the
12 capital standards for the company.

13 Unfortunately, as time played out,
14 the regulator never implemented the -- the
15 risk-based test but relied instead on a -- a
16 smaller ratio. And had they, in fact, created a
17 risk-based test, you would have never seen the
18 implosion of Freddie and Fannie.

19 Q. Can you describe some of the
20 engagements you're working on presently?

21 A. Well, I described the one on the
22 Low-Income Housing Tax Credit, which is a very
23 big deal and takes a lot of my time. I am also
24 doing work, as I said, for the Madoff victims.
25 And I just got a couple of others that I prefer

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2 not to disclose because they're somewhat
3 sensitive.

4 Q. In what sense are they sensitive?

5 A. Well, I mean, I just -- I don't know
6 if this will become a public document. People
7 had -- I signed a confidentiality agreement that
8 I would give counsel to a couple of these
9 financial institutions but -- and -- and would
10 not disclose that I was doing it.

11 Q. Okay. Can you describe, in general
12 terms, what you're doing for them?

13 A Just give them counsel and strategic
14 advice on going -- or the issues before the
15 Congress; you know, how to approach those, how to
16 approach those intellectually so you, in fact,
17 you know, can be ahead of the curve and have a
18 substantive approach to legislative issues, in
19 fact, that makes your position unassailable in
20 positions you well do -- to be successful.

21 Q. And with your current clients, do
22 you have services agreements in place with them?

23 A. You mean contracts?

24 Q. Contracts.

25 A. Some, yes. Mostly just oral.

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2 And -- and the reason I think they're oral is
3 because, you know, they're of a limited duration.
4 I mean, once, in fact, they're past a particular
5 issue, which is kind of hard to define -- it's
6 defined really by them rather than by me -- then,
7 in fact, the engagement would extinguish.

8 Q. And are you paid a monthly retainer?
9 Are you paid hourly? How are you compensated for
10 your work?

11 A. A month -- monthly retainer --

12 Q. Okay.

13 A. -- and then, on some of the issues,
14 for example, the -- the Low-Income Housing Tax
15 Credit, I'm paid a success fee on that if we
16 are -- if I am successful.

17 Q. What's the nature of that success
18 fee?

19 A. If -- if, in fact, if the sale is
20 consummated, then, in fact, I get a large success
21 fee.

22 Q. Is that a percentage?

23 A. No.

24 Q. So it's just a stipulated amount?

25 A. Yes.

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2 Q. How often do you structure your
3 compensation as a success fee?

4 A. I've got two clients that do that.

5 That's kind of an unusual situation.

6 I mean, you -- you know, if you're a single
7 proprietor in this field, you have to have some
8 cash flow, so you have to have some contracts. I
9 mean, these things, I -- I would argue, are --
10 are very much long shots. You invest a lot of
11 time. And, you know, it's like going to trial --
12 you might win and you might not win -- if you're
13 a trial lawyer.

14 But if you do win, there's a, you
15 know, significant payday which justifies what
16 you've done; if you don't win, then, you know,
17 you didn't win, and you just move on.

18 So I've got, you know, some of both.

19 But, again, I think you have to have
20 a -- you know, a -- a client base that pays you a
21 cash flow. You can't exist on -- on these types
22 of, you know, success fee arrangements
23 exclusively.

24 Q. Now, I understand you have
25 confidentiality obligations with respect to your

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2 current clients, but can you tell me what your
3 monthly retainer is for these clients?

4 A. It averages anywhere from 12 --
5 \$25,000 a month to \$100,000 a month.

6 Q. And what do you take into account
7 for charging 25- or 100,000 or any other amount?
8 How do you determine your monthly retainer, is
9 what --

10 A. Well, I'd say --

11 Q. -- I'm asking?

12 A. -- that, you know, because I'm an
13 individual firm -- a firm with one individual,
14 there's only a limited amount of time I can
15 provide my clients. And so what I do is I don't
16 want to have more than four clients --

17 Q. Okay.

18 A. -- and so, you know, I would attempt
19 to at least get \$25,000 a month.

20 But if I could get one -- a client
21 that is a greater risk and has greater risk
22 within the legislative and regulatory arenas,
23 then, in fact, they do cost-benefit analysis and
24 think it makes sense to pay me in that amount.

25 Q. If I can ask, what -- what do your

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2 clients see as ben- -- what benefit do they get
3 for this \$25,000 a month or \$100,000 a month, or
4 whatever the retainer may be?

5 A. Well, they would either promptly --
6 and -- and, again, I'm generalizing this -- they
7 would either have either one or two objectives:
8 one would be to kill legislation that would
9 affect their business model; or, two, to pass
10 legislation that would enhance their business
11 model.

12 And that could also fall within the
13 regulatory arena, you know, to kill a regulatory
14 proposal that would harm them or to modify it in
15 a way that, in fact, benefits them.

16 So, you know, it's -- it's -- that's
17 kind of where it goes. It's -- it's all about
18 outcome, and there's specific outcomes that
19 they're trying to achieve.

20 Q. Let's say you're retained by a
21 client to have legislation passed.

22 How did you go about doing that?

23 A. Well, first of all, you would need
24 to understand the client's issue; then you would
25 need to understand, you know, what, in fact, the

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2 current law is and where it need to be changed;
3 and, third of all, you would need to develop a
4 narrative that, in fact, could be marketed to
5 public policy officials; and then, you know, you
6 would try to convince somebody of the efficacy of
7 your effort and -- and the substance that you're
8 trying to promote -- does it promote good public
9 policy? -- then you would end up, hopefully,
10 getting someone to introduce legislation,
11 Number 5; and then, six, you would build
12 grassroot support for it and the support with
13 others to, in fact, support that effort with an
14 eventual goal of having it successfully passed in
15 a subcommittee or committee and in the full body
16 of Congress.

17 Q. So the first step is understanding
18 your client's problem and the law?

19 A. Right.

20 Q. And what do you do to -- what do you
21 do to that end?

22 A. Like you would do with any of the
23 clients you do, ask -- sit in and talk with the
24 client or talk with people who have worked with
25 the client and try to understand their issue.

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2 I mean, when you're in my position,
3 for example, if -- if there's a -- you know, a --
4 an issue that they're trying to derail, let's say
5 it's a bill that would tax, you know, their
6 existing business, you really don't need to know
7 more than what their business is and what the
8 benefits they provide to the public and how this,
9 in fact, proposal would harm that business and
10 harm the public.

11 You -- you know, that's kind of
12 where you would go. It's generalized, but you
13 specifically just need to know how the particular
14 proposal impacts their company.

15 Q. And how extensive is that initial
16 review of the client's business, typically?

17 A. It depends. I mean, it could
18 be -- it could require a lot of research, you
19 know, vis-a-vis using the Internet and trying --

20 Q. What kind of research?

21 A. -- to gather information; or it
22 could be, you know, information that could be
23 gathered because there's a lot of publicity
24 regarding the companies.

25 For example, I do work for some

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2 small-dollar Internet lenders, commonly called
3 "payday lenders," and you know what the issues
4 are; you know who's trying to, in fact, change
5 their business model.

6 And so, you know, the ability to
7 understand their issue would be a lot easier
8 than, you know, somebody who was a more obscure
9 company in something that was kind of on the
10 fringes of financial services I've never dealt
11 with.

12 It's really a case-by-case kind of
13 analysis and exploration of -- of the -- of the
14 issues.

15 Q. And how many people do you meet with
16 at that client or with that client in that first
17 stage of investigation that you undertake?

18 A. Again, it would be a case-by-case
19 analysis. I mean, if there's somebody in the
20 company -- for example, the small-dollar lenders,
21 they're -- they're -- they're more computer
22 driven than they are personnel driven. And so
23 you could talk with just a few people to kind of
24 understand the business model, understand really
25 the -- the dynamics out there of their processes.

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2 And it makes it a lot easier to understand,
3 rather than something that's complex.

4 Q. And did you do any legal research as
5 part of this process?

6 A. I will do some, but I don't offer
7 legal opinions on the issues. I primarily talked
8 to their lawyers, in-house or outside counsel,
9 about issues, would consult with them also about
10 the approaches that I would suggest, make sure
11 that -- you know, that we're aligned on,
12 substantively, how to approach an issue.

13 It's -- it's -- it's an observation
14 of the obvious, but it makes no good to try to
15 accomplish something that doesn't accomplish the
16 goal of the client.

17 So, you know, it -- it really goes
18 all over the park on who you would need to talk
19 to before you can, in fact, substantively feel
20 comfortable understanding an issue and make a
21 recommendation on kind of, you know, a
22 substantive approach to their issue.

23 Q. And in this first stage, this
24 introductory phase of this engagement where
25 you're seeking to work with this client to pass

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2 legislation, do you create any work product
3 during this first investigatory phase, typically?

4 A. Yeah.

5 Q. What type of work product do you
6 create?

7 A. I mean, I would -- I would create a
8 notebook of kind of my understanding of the
9 company, all the articles surrounding the
10 company, things like that.

11 I mean, my -- my approach to this
12 has been refined as I've been doing it for
13 10 years. When I first started out, you know, I
14 was not probably as thorough as understanding
15 because I just didn't have the resources and,
16 really, the Internet was not what it is today.

17 But, you know, again, there's no --
18 no better way of understanding, you know, what a
19 client is looking for than talking to the client
20 or the people who the client wants you to talk
21 with within the organization.

22 THE VIDEOGRAPHER: Slide your mic up
23 a little bit. It's hitting the table.

24 BY MR. ABRAHAM:

25 Q. The next phase, I believe, is you

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2 testified that you create a narrative. That
3 would be the next phase of your typical
4 engagement.

5 And what is that? What do you mean
6 by that?

7 A. Well, let's say, for example, you've
8 got a company that makes widgets, and the
9 Government wants to tax the widgets. I think you
10 would try to develop a narrative, meaning that
11 you could, in fact, develop a white paper that
12 shows that the productions of widgets has a
13 public benefit and that, in fact, if the
14 Government's action, for example, attacks on
15 those widgets were to, in fact, be imposed, it
16 would make the product prohibitively expensive
17 for some class of people; it would make its
18 competitors -- it would give its competitors a
19 competitive advantage unfairly; and the public
20 benefit that ostensibly is the cause for it, for
21 example, the tax, is -- is really flawed.

22 So you would develop that. And
23 whether you, in fact, you know, created a
24 one-pager to articulate what you're trying to
25 accomplish, and the public benefits associated

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2 with it would be one way of doing it, or creating
3 a white paper that, in fact, you, in fact, would
4 bring, for example, economists in or lawyers in
5 that could, in fact, you know, offer expert
6 opinions and could be folded into such a -- a
7 narrative.

8 Q. What did you do with this white
9 paper once it's drafted -- or this narrative?

10 A. Well, it depends on what the client
11 wants to do with it. I mean, it -- if -- for
12 example, if it's to aid in the marketing of a --
13 a particular issue and a particular position on
14 an issue, then you would probably disseminate it
15 to public officials, disseminate it to the press
16 to try to get the article written -- an article
17 written in a way that is favorable for your
18 client and further what you're trying to
19 accomplish.

20 Q. And after you draft this white paper
21 and you try and deploy this white paper or -- or
22 put it in the right hands, the next phase, I
23 believe you testified, is to get legislation
24 passed.

25 Tell me about that.

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2 A. Well, it -- it -- as I said, you're
3 either probably getting legislation passed or
4 you're stopping legislation from being passed,
5 depending on the client's perspective. That's
6 done through interfacing with Members of Congress
7 and with their staff and, you know, finding
8 somebody that is sympathetic to your position and
9 understands either why this legislation would be
10 positive from a public policy perspective or the
11 outcome you're trying to derail would be hurting
12 to the public.

13 Q. Do you ever draft the legislation
14 yourself?

15 A. Well, I -- no. I've -- I've relied
16 on the attorneys to do that with my own review of
17 it.

18 Typically, what happens, though,
19 when somebody introduces a bill in the Congress,
20 even if somebody has drafted legislation, the
21 person who is promoting that, the Member, would
22 take it to what is called Legislative Counsel,
23 and they would put it in their own language.

24 Q. So they would rewrite it?

25 A. Right, yeah. Correct.

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2 Q. Okay. And is there a moment in a
3 typical engagement where you realize that your
4 efforts have been successful or they have failed?

5 A. Well, ultimately, success depends on
6 whether you either pass a bill or you, in fact,
7 derail something that's harmful to your client.

8 So that's a pretty measurable
9 outcome.

10 There doesn't -- I mean, in the
11 current environment, I mean, it -- there's just
12 not a lot of legislation passed these days -- or
13 signed into law, I should say. So, you know, I
14 mean, you know, you could go on for a period
15 of years trying to effectuate a -- a -- a law
16 change, and you just have to continue on.

17 I mean, as you know, the Congress is
18 two years. There are two different sessions.
19 And so if you're unsuccessful in one Congress,
20 depending on the appetite and the need for the
21 client, they might want to continue through the
22 next Congress, given that there's some momentum
23 hopefully generated and try to get it passed.

24 Q. So aside from the -- this sort of
25 introductory due diligence phase and the

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2 narrative white paper phase and then the more
3 active legislative phase, is there any other task
4 that you undertake typically for a client?

5 A. Well, I think you have to monitor
6 the process, and, you know, you have to make
7 midcourse corrections in your strategy if
8 something is not working. I don't think you can
9 lay out a strategy and assume it's going to
10 always be effective. The dynamics change,
11 and you end up, you know, making changes
12 accordingly.

13 It's a very iterative process.
14 And -- and, again, while I've described it in
15 basically three or four stop -- steps, this could
16 take, you know, months; this could take years. I
17 mean, this is -- you know, there are a lot of
18 people in -- just as an example -- in this town
19 who worked on the Glass-Steagall Act, pres- --
20 preserving it, and others who tried to repeal it.
21 And I've known people who worked on that for
22 25 years and sent kids to college and to graduate
23 school just on that one Act.

24 So, you know, if you look at the
25 legislative process -- and being a lobbyist in

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2 this arena, success is always not defined by
3 passing something within one year or one week or
4 one month. I mean, it's a -- there's no way you
5 can ever predict how long it's going to take and
6 whether you'll be successful.

7 But, having said that, I think, at
8 the end of the day, you know, the client can look
9 at the cost-benefit analysis and say, Well, if
10 this, in fact, passes or, in fact, this is
11 derailed, here will be the quantifiable benefits
12 to my company.

13 And it's worth going through years
14 of this process, including payment to lobbyists
15 that were, in fact, trying to achieve these
16 outcomes. I mean, otherwise, you know, people
17 like Google wouldn't be spending a billion
18 dollars a year on lobbying.

19 Q. Just getting back to the specific
20 type of lobbying that you do, you said your niche
21 was financial services.

22 Would you describe yourself as
23 having any other type of niche within this
24 industry?

25 A. Well, I would define financial

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2 services very broadly.

3 Q. How would you define financial
4 services, then?

5 A. Anything that affects a company in
6 the financial services arena would be a financial
7 services issue.

8 Q. And what about taxation?

9 A. Yeah.

10 Q. Did you have any specific focus or
11 specific expertise within -- within taxation?

12 A. No. I mean, I -- I've -- I
13 certainly have worked on tax issues that I just
14 articulated with Freddie Mac and with others that
15 impacted financial services companies, but my
16 expertise is not, quote, tax, per se.

17 Q. Okay.

18 I'd like to talk a little bit about
19 Ben Barnes and the work you've done for
20 Ben Barnes --

21 A. Okay.

22 Q. -- when is the first time you met
23 Ben Barnes?

24 A. I -- I'm guessing it was probably
25 35 years ago.

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2 As a little bit of background, my
3 father-in-law was John Connally's Chief of Staff
4 when he was Governor, and Connally -- and -- and
5 Barnes was the Lieutenant Governor, so their
6 relationship goes way back.

7 I've been -- I've been either
8 married or dating my wife for 35 years. And so
9 in the course of that interfacing within the
10 Austin community, I've known Barnes pretty much
11 since then.

12 Q. Are you from Austin?

13 A. No. I'm from Georgia originally.

14 Q. So how did you first meet
15 Ben Barnes?

16 A. On some social occasion in --
17 probably in Austin.

18 Q. And when was that? Do you recall?

19 A. I -- I have no clue.

20 Q. And when was the first time you
21 worked with Ben Barnes in a professional
22 capacity?

23 A. When I was head of Freddie Mac, I
24 had Barnes do some work for Freddie Mac --

25 Q. Do you remember when that was?

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2 A. I would say it was probably in the
3 late '90s, early 2000 -- mid-'90s, late '90s --
4 I -- I -- it's -- we're talking, you know,
5 20 years ago.

6 Q. Again, what was your position at
7 Freddie Mac at that time?

8 A. I was the Senior Vice President,
9 head of the Government Relations, the external
10 world for Freddie Mac in Washington.

11 Q. And do you recall for what issue you
12 engaged Ben Barnes?

13 A. Ben Barnes' reputation was having
14 very good relationships with Members of the
15 Democratic Party. It was certainly well
16 documented that he was a major fund-raiser for
17 Democrat Members of Congress, including the
18 Senate and the House. And he was very close with
19 people in the Leadership in the Senate and the
20 House.

21 And it was for that reason that I
22 retained him to try to have someone who could
23 have a -- who has a -- had an existing
24 relationship with the leadership, who, in fact,
25 could tell the Freddie Mac story and deal with

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2 any Freddie Mac issues that were pending before
3 the Congress.

4 Q. So there wasn't a specific issue for
5 which you retained him?

6 A. No.

7 Q. It was just generally to have --

8 A. Exactly.

9 Q. -- him on retainer?

10 A. Yes.

11 Q. Do you recall how you structured his
12 compensation at that time?

13 A. I think he was paid \$35,000 a month.
14 And it was like a, you know, one-year, two-year
15 contract that kind of renewed itself.

16 Q. Was this pursuant to a written
17 agreement?

18 A. Yes.

19 This was a -- a major corporation.
20 It didn't do things like I do, orally --

21 Q. That was Freddie Mac's practice --

22 A. Right --

23 Q. -- at the time?

24 A. -- exactly.

25 THE COURT REPORTER: You have to let

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2 him finish, please.

3 BY MR. ABRAHAM:

4 Q. And what type of legislation were
5 you trying to influence at that time?

6 A. I -- I -- I -- I can't recall
7 what -- I mean, it was user fees. It was things
8 of that nature. It was detractors, you know,
9 who, in fact, were competitors who try to use the
10 legislative regulatory process to, in fact,
11 deride the company and were -- were hostile to
12 the company.

13 And so what people like Barnes would
14 do would be -- you know, we would, in fact, give
15 him exactly the story about the benefit we
16 provided to taxpayers -- I mean to homebuyers
17 across the country, who would tell the leadership
18 about this. So when they heard a story by a
19 detractor, they would be dubious of its, not
20 only, relevance but accuracy.

21 In a situation like that -- and this
22 is the way it works in Washington -- people are
23 retained every day but not used every day. I
24 mean, it's kind of like an insurance policy. And
25 Ben Barnes had great relationships with, you

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2 know, the most high-ranking Democratic Members of
3 the House and the Senate, was a very, you know,
4 valuable asset to have in your lobbying team.

5 THE WITNESS: Sorry.

6 BY MR. ABRAHAM:

7 Q. Do you know if Ben Barnes registered
8 at that time as a lobbyist for --

9 A. I don't --

10 Q. -- Freddie Mac?

11 A. -- recall if there were registration
12 requirements at that time. I don't think there
13 were.

14 Q. Okay. And you testified that it was
15 the practice, and it still is the practice, to
16 retain high-profile individuals but perhaps not
17 even use their services?

18 A. Well, it depends on how you define
19 "use." I mean, you use their services because
20 you're constantly talking to them and you're
21 getting intelligence, which is invaluable.

22 So, you know, if you have a
23 conversation once a week with someone like a --
24 hypothetically, Ben Barnes, and you find out what
25 the Majority Leader of the Senate is thinking

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2 about a particular issue, I would argue that
3 that's worth what they're retained to do, just
4 that one phone call.

5 But, again, it's in the eyes of the
6 beholder. I can just tell you, as running a
7 major corporation's Government relations, having
8 people who are either subject-matter experts or
9 have tremendous relationships, that's a very
10 valuable thing to have.

11 Q. So getting back to your retention of
12 Ben Barnes -- or I guess Freddie Mac's retention
13 of --

14 A. Right.

15 Q. -- Ben Barnes in the late '90s or
16 early 2000s, do you recall if you retained him,
17 personally, or an entity?

18 A. Well, I retained him because of
19 Ben Barnes. I -- I assumed it retained his
20 entity. I don't know at that time how many
21 people worked for Ben Barnes or what, but the --
22 you know, the corporate structure was irrelevant,
23 to me.

24 I mean, Ben Barnes is the one that
25 knew everyone and had all the relationships.

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2 Q. And why did it occur to you at that
3 time to retain Ben Barnes?

4 A. Again, he was well known as a major
5 fund-raiser for Democratic politicians, and
6 somebody like that is extremely valuable for a
7 very big Washington office who is, you know,
8 constantly interfacing and trying to either pass
9 legislation or derail legislation; or -- or --
10 or, alternatively, tell a very positive story
11 about the public benefits that your entity
12 provides on an everyday basis.

13 Q. Do you recall specifically the
14 nature of the services he provided at that time?

15 A. Well, as I said, I would have
16 conversations with him or people on my staff
17 would have conversations with him. You know, he
18 was always with those high-ranking Democratic
19 politicians. And my assumption would be that if
20 he understood our story, if an issue came up
21 regarding Freddie Mac, he could, one, at least on
22 a very superficial basis, tell the story of a
23 positive public benefit entity; or, if he picked
24 up something, he could come back to us and say,
25 There's an issue here, you need to address it,

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2 either you do or I do.

3 So, you know, that's kind of the way
4 it worked with him, the way it worked with a lot
5 of consultants. As I said earlier, I think we
6 probably had 25 consultants like Ben Barnes on
7 our retainer.

8 Q. When you say "consultants," you mean
9 lobbyists or --

10 A. Yeah --

11 Q. -- other service providers?

12 A. -- as I said, they either had very
13 good relationships and/or they were
14 subject-matter experts.

15 Q. You testified that you paid
16 Mr. Barnes \$35,000 a month --

17 A. I think --

18 Q. -- at that time?

19 A. -- that's correct. Again, it's been
20 a long time --

21 Q. Understood.

22 A. -- at 35-, \$40,000 a month, he was
23 a -- you know, one of the higher paid lobbyists
24 at the time.

25 Q. Do you recall who else was retained

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2 by Freddie Mac at that time? Of these 25
3 consultants, do you have any recollection of who
4 these others were?

5 A. Well, I can -- you know, for
6 example, after he was defeated,
7 Senator Alfonse D'Amato was on retainer. At the
8 time, John Dugan was on retainer, who had been at
9 the Treasury Department, was at Covington and
10 then subsequently became the Comptroller of the
11 Currency.

12 You know, I can go --
13 Susan Molinari, who was a Member of the House of
14 Representatives in the -- in the Republican
15 Leadership, she was on retainer.

16 And then you can go down the list
17 for people who -- you know, who had
18 subject-matter expertise in certain areas that I
19 would retain.

20 But, you know, it was -- it -- it --
21 it was all about, again, either relationships or
22 substantive knowledge of a particular area
23 whereby they were experts, and them making a
24 particular statement on an issue carried a lot of
25 gravitas.

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2 Q. Do you recall the retainers paid to
3 these other individuals you mentioned?

4 A. I'd say everybody was paid between
5 25- and \$50,000.

6 This was, again, 20 years ago.

7 Q. Do you recall how you determined to
8 pay Ben Barnes 35,000 at that time, as opposed to
9 25 or 50?

10 A. I assume it was based on a
11 conversation with him, but I thought that was a
12 very fair price for him, given the kind of the
13 relationships he enjoyed.

14 Q. And how long did he do lobbying work
15 or other work for Freddie Mac?

16 A. I -- I -- I -- I left in 2003, and
17 he was continuing to do it. So I think he was
18 probably doing it for probably eight years.
19 Again, this is -- you -- you have to remember, it
20 is 15 years ago -- 10 years ago.

21 Q. And why did you leave Freddie Mac in
22 2003?

23 A. Well, you might recall from the
24 press there was a big accounting issue. The
25 board ended up taking out everybody of the senior

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2 management team but me and one other person, and
3 we ended up losing our jobs when the new CEO came
4 in because he wanted to, in fact, start a clean
5 slate with nobody from the old positions.

6 Clearly, doing the outside work, I
7 had nothing to do with accounting issues, but I
8 was just part of that unfortunate debacle.

9 Q. So you were a victim of
10 circumstance?

11 A. I think so.

12 Q. And in 2003, you struck out on your
13 own?

14 A. Yes.

15 Q. And why did you decide to strike out
16 on your own as opposed to taking another position
17 elsewhere?

18 A. Well, I -- I had -- running the
19 Freddie Mac operation was a seven-day-a-week,
20 18-hour-a-day job. And I had young kids at the
21 time, and it took away from seeing my family at
22 all. And so I didn't want another corporate
23 environment like that.

24 Those -- those jobs are, you know,
25 more management of people and more management

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2 internally of the organization, and I just didn't
3 want to do that. I wanted just to kind of focus
4 on, you know, being a sole proprietor where I
5 could kind of control my own time -- destiny.

6 Q. In 2003, did you form an entity, or
7 did you just simply strike out as a sole
8 proprietor?

9 A. The last.

10 Q. And what type of work did you do
11 starting in 2003 when you struck out on your own?

12 A. Well, again, my expertise -- or at
13 least what I consider my expertise -- was
14 financial services. And so a number of people
15 came to me and said, You know, can you give us
16 counsel on certain issues?

17 I did work for the REALTORS --

18 Q. What do you mean "the REALTORS"?

19 A. The National Association of
20 REALTORS, which represents all the REALTORS in
21 the country. It's a very powerful trade
22 association in -- in Washington.

23 They wanted counsel on how to
24 interpret certain acts of what was going on in
25 Congress in regulatory bodies. I did that. I

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2 didn't lobby for them; this was more a consulting
3 role.

4 Q. And what's that distinction? Is
5 that a registration distinction?

6 A. Well, it -- it would be a
7 registration thing now, but it -- the differences
8 is it's just kind of what is expected by the
9 client. I mean, is the client expecting you to
10 go up and actually interface with somebody or are
11 they expecting you to give counsel, and they take
12 that counsel and they do the interfacing?

13 Most of the big organizations
14 within -- have a bevy of lobbyists, and so they
15 pretty much do it on their own and -- and have
16 the consultants really to help them have more
17 information about which they can develop
18 strategies to implement on their own.

19 Q. And following 2003, did you continue
20 doing work with Ben Barnes on any other matters?

21 A. No.

22 Q. Subsequent to 2003, when did you
23 begin working with Ben Barnes again?

24 A. I don't know the exact date. Again,
25 this is a -- but it seems it was probably about

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2 2007/2008.

3 Q. And under what circumstances did you
4 start working with Ben Barnes again?

5 A. Ben came to me and said he had a
6 client, Stanford Financial, that was looking at a
7 potential tax issue that would impact their
8 business model. And he asked if I would come on
9 and help him better understand the issue and help
10 him manage the issue.

11 MR. ABRAHAM: Go off the record for
12 a second.

13 THE VIDEOGRAPHER: Off -- off the
14 record at 12:16.

15 - - -

16 (Whereupon, a brief recess was taken
17 from 12:16 p.m. to 12:30 p.m.)

18 - - -

19 THE VIDEOGRAPHER: On the record at
20 12:30.

21 BY MR. ABRAHAM:

22 Q. Okay. You testified, Mr. Delk, that
23 Ben Barnes retained you in or around 2007 or 2008
24 to work on tax issues firsthand for financials;
25 is that -- is that correct?

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2 A. I'm not sure of the date. It could
3 be 2005/'6 -- you know, again, it's 10 years ago.
4 But that was -- he asked me to help him with a
5 tax issue that Stanford was looking at.

6 Q. And I assume -- are you familiar
7 with Stanford Financial?

8 A. I was not -- I mean, I --
9 I'm familiar with who they are, but I didn't -- I
10 didn't really know -- I don't know what their
11 business model was, per se.

12 Q. Prior to your work with or for
13 Ben Barnes at that -- at this time for which
14 you're testifying right now, had you done any
15 work for Stanford Financial prior to this?

16 A. Yes.

17 Q. And what do you recall about that?

18 A. I only worked with a woman named
19 Yolanda Suarez, who was the -- I don't know if
20 she was the counsel or what her actual role --
21 title was, but she kind of ran their outside
22 world. That was my interpretation or in --
23 impression.

24 And I worked with her -- she called
25 and asked to have lunch with me, which I did.

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2 And she wanted to retain me to kind of give her
3 an interpretation of legislative regulatory
4 events in Washington.

5 Q. What do you mean by that?

6 A. She would say, I just want to have
7 access to you so when something happens, I can
8 call you and you can explain to me what's going
9 on. What that means substantively -- you know,
10 essentially what that means politically, where is
11 that going to lead either, you know, on a
12 regulation or where is it going to lead on a
13 legislative proposal.

14 Q. You don't recall when this was,
15 approximately?

16 A. It was in 2004, 2000-, maybe, -5.

17 It did not involve any advocacy
18 before the Congress. It was more just a
19 counseling role, wanting me to help her interpret
20 Washington.

21 And as I recall, she was interested
22 in issues such as the regulation of banks at the
23 national level, the regulation and oversight of
24 broker/dealers by the SEC. And we would talk
25 about various things going on regarding those.

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2 And I -- interestingly, you know, I
3 knew who Stanford was, but I had really not a
4 great understanding of why she wanted to know
5 about those. She really never told me, you know,
6 what kind of her objective was. It was a very
7 enigmatic kind of relationship.

8 Q. Do you recall how she came to you or
9 how -- or how -- did -- did you have any prior
10 relationship with her?

11 A. I didn't. I believe -- and I don't
12 know if I'm correct on this -- that maybe Ben had
13 told her that -- you know, that I was available
14 and my expertise in the financial services area,
15 and that she should call me and -- and talk to me
16 about kind of Washington.

17 MR. MADRID: Let me respectfully
18 object to the assumption, form.

19 BY MR. ABRAHAM:

20 Q. And this would have been about at
21 the time when you left Freddie Mac, a little bit
22 after?

23 A. I was -- it was probably a year or
24 so after Freddie Mac, I'm guessing. I'll say
25 2004/2005. It was -- it was not immediately

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2 after, because I only worked with a couple of
3 clients for the first year or so.

4 Q. And do you recall your first
5 interaction with Yolanda Suarez?

6 A. Yeah. I had lunch or dinner with
7 her at the Four Seasons.

8 Q. And what was discussed at that
9 meeting?

10 A. We were discuss -- basically,
11 discussed kind of, you know, the -- the
12 regulation of -- of -- of national banks; the
13 chartering of national banks; legislation
14 regarding national banks; the regulatory
15 oversight of banking, generally, how it was
16 broken up between the Federal Reserve, State
17 banking regulators, the OCC.

18 Very much that first conversation
19 was more about banks specific and about how they
20 were regulated, who regulated, and kind of a
21 political environment regarding the regulation of
22 banks.

23 Q. So is it your testimony that that
24 initial conversation or first meeting was about
25 giving Yolanda Suarez a primer on bank regulation

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2 and -- and the various agencies that --

3 A. Yeah --

4 Q. -- that oversee banks?

5 A. -- I think that's a fair way of
6 representing it. That was her primary focus and
7 interest, and I was kind of explaining that to
8 her.

9 Q. And that first meeting was just an
10 informational meeting?

11 A. Yes.

12 Q. And did Ms. Suarez state why she
13 wanted this information?

14 A. No.

15 MR. MADRID: Objection: form.

16 Go ahead.

17 THE WITNESS: No, not that I recall.
18 Again, this is, you know, 10 years, 12,
19 15 years ago; but I do not recall why she
20 was asking.

21 As I testified, I didn't know what
22 she intended to do with the information,
23 but I was more than happy to provide it to
24 her.

25

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2 BY MR. ABRAHAM:

3 Q. Was there any follow-up to this
4 initial meeting?

5 A. Yeah, she followed up and said that
6 the meeting was very helpful and wanted to have
7 me available to give her counsel, you know, where
8 she could call me weekly, monthly, periodically,
9 and, you know, go over kind of events in
10 Washington, and said she would retain me to do
11 that.

12 MR. MADRID: Belated objection to
13 form.

14 Go ahead.

15 BY MR. ABRAHAM:

16 Q. And do you recall how you were
17 retained by Ms. Suarez?

18 A. She basically said, you know, I want
19 to --

20 MR. MADRID: Objection: form.

21 THE WITNESS: -- I want to retain
22 you -- again, this is my recollection,
23 many years having passed -- to give her
24 counsel on events occurring in Washington
25 and was willing to pay me a retainer of

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2 \$25,000 a month. And, you know, it would
3 be -- you know, the relationship would be
4 developed over time.

5 BY MR. ABRAHAM:

6 Q. Were you retained pursuant to an
7 agreement -- a written agreement?

8 A. Did not have a written agreement
9 with her.

10 Q. And how did you arrive at the
11 retainer amount?

12 A. She -- I don't know. I guess it --
13 I -- my assumption is I probably threw that
14 number out knowing that that was kind of the
15 bottom-line number that I had been paying people
16 at Freddie Mac. I'm sure I justified the number
17 to her and said, You know, I'd be more than
18 willing to help you interpret these events based
19 on that retainer.

20 Q. And there was never a discussion
21 about a written agreement?

22 A. No.

23 Q. Do you recall the name of the
24 Stanford entity that you provided services to?

25 A. I do not. As I testified, I only

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2 really interfaced with her on the issue.

3 Q. Did she represent herself as an
4 employee of a specific entity?

5 A. I don't recall that.

6 Q. Did you have an understanding as to
7 what entity you were providing services to?

8 A. No, I didn't -- I didn't -- I
9 thought Stanford Financial was
10 Stanford Financial. I didn't know what their
11 corporate structure looked like.

12 Q. Did you undertake any investigation
13 as to what their corporate structure looked like?

14 A. No.

15 Q. And when you were retained by
16 Stanford Financial at that time, did you do any
17 investigation of -- of the organization, any
18 Internet research or other due diligence, like
19 who they are?

20 A. Just at the materials that they
21 provided to understand kind of what their, you
22 know, activities were --

23 Q. And what did you --

24 A. -- and I was not going to be doing
25 any kind of advocacy on her behalf. I was just

1 ROBERT MITCHELL DELK

2 giving her interpreted -- my interpretation of
3 events in Washington.

4 Q. And what type of materials do you
5 recall receiving from Yolanda Suarez?

6 A. Just general marketing materials
7 about what Stanford did.

8 Q. So you were just retained to be
9 available for answering questions and -- and
10 giving general advice --

11 A. Right --

12 Q. -- about issues; is that right?

13 A. -- that's exactly right. And I -- I
14 took it upon myself to be a little more
15 proactive. If I saw something I thought she
16 might be interested in, I'd call her and tell
17 her. But, again, it was in the -- the realm or
18 in the area of kind of bank regulation and
19 broker/dealer regul- -- registration --
20 regulation.

21 Q. Do you recall the inst- -- any
22 instance in which you were proactive and provided
23 her with information?

24 A. I would periodically call her and
25 tell her if there was a hearing on financial

1 ROBERT MITCHELL DELK

2 institution regulation, kind of what it was like,
3 who were the Members that were interested in the
4 issue and where I saw it going as far as a
5 potential policy issue.

6 Q. Do you recall what specific issues
7 prompted --

8 A. I -- I don't --

9 Q. -- you to reach out and be proactive
10 with her?

11 A. -- I don't. It was just more just
12 Congressional hearings on financial institutions
13 generally.

14 Again, I didn't know what she needed
15 the information for, so I was really shooting in
16 the dark, just providing her with anything that
17 related kind of generally to the regulation of
18 financial institutions and broker/dealers.

19 Q. And how long were you retained by
20 Stanford Financial at that time? Do you recall
21 how many months?

22 A. Well, I -- I think I probably ended
23 up talking with her, I would guess -- I'm saying
24 10 to 12 months. And then the -- kind of a
25 communication cutoff even reaching out to her was

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2 not -- was -- she didn't respond.

3 And they never really paid me for
4 what they owed me. And she eventually said that,
5 you know, she appreciated my services, but they
6 didn't need me because they -- Ben was doing all
7 their work now in Washington.

8 Q. So they just -- they just never paid
9 you for -- for a number of the --

10 A. Right --

11 Q. -- months that you worked?

12 A. -- correct.

13 Q. And how many months did they pay you
14 for?

15 A. I -- I'm trying to get those records
16 now. I think they probably paid me for
17 10 months -- 10 -- 10 or 12 months.

18 Q. And who are you trying to get these
19 records from?

20 A. From the bank.

21 Q. From your bank?

22 A. Yes.

23 Again, it was over 10 years ago, and
24 the bank has changed companies five times. And
25 every time they try to get a copy of it, it runs

1 ROBERT MITCHELL DELK

2 into the abyss.

3 Q. Which bank are -- are --

4 A. It's -- it's Wells Fargo now. It
5 started out, you know, First American Bank in
6 Washington. It's gone through four ownership
7 changes.

8 Q. And when was the last time you
9 requested or had a conversation with respect to
10 your records request?

11 A. I -- I requested, I guess, about two
12 months ago, and they're still trying to get the
13 records.

14 Q. Okay.

15 A. Again, this was 2004-2005.

16 Q. Do you recall how you were paid? By
17 wire or by check?

18 A. I think I was paid on two occasions,
19 and one -- and I think one was via wire, possibly
20 both were via wire. I don't recall.

21 But I do recall that they owed me a
22 lot of money and just kind of walked away from
23 the contract, which, you know, when you're in
24 kind of position I am, you find that happens a
25 lot of times.

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2 Q. So they just retained you and didn't
3 pay you for a lot of your time?

4 A. That's right.

5 Q. And what did you do to seek payment
6 of the amount you believed you were owed?

7 A. Nothing more than just said, You
8 know, can you pay me? And that precipitated the
9 response from her, Well, we don't need you
10 anymore. You know, we don't have a written
11 contract with you. Your information was
12 valuable, but we're going to rely exclusively on
13 Ben Barnes Group to provide the services to us.

14 Q. So it's your recollection that
15 Yolanda Suarez made a point of the fact that you
16 two did not have an agreement?

17 A. Again, that's my recollection. I
18 don't know if she -- you know, I didn't have a
19 written agreement with her. I knew, from a legal
20 perspective, I had nothing to -- you know,
21 nothing to really base a claim on other than an
22 implied contract. And, furthermore, being in the
23 kind of financial position I was in, I didn't
24 have the money to retain a lawyer and sue them --

25 Q. Did it occur to you to sue them?

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2 A. No. I mean, that would be the last
3 thing I could do. I mean, I don't -- I did not
4 want my name associated with a lobbyist who, in
5 fact, didn't get paid money by a corporate client
6 who, at the time, was a respectable one, at least
7 I thought, and, you know, ends up suing them if
8 they don't pay you.

9 Q. You testified that Yolanda --
10 Yolanda Suarez explained that she no longer needs
11 your services because, quote, Ben Barnes was
12 doing all the work.

13 What -- what did you mean by that?

14 A. As I said, I didn't lobby for them
15 but it gave her interpretation of Washington
16 events. And I assume -- again --

17 THE WITNESS: God bless you.

18 -- I assumed what she meant is that,
19 you know, she could get that same counsel
20 from Ben Barnes Group.

21 And so, you know, it was redundant
22 that she had two people on retainer, and
23 so, Thank you.

24 Again, I -- I don't recall the exact
25 words, but that was the sum and substance

1 ROBERT MITCHELL DELK

2 of what she was saying.

3 BY MR. ABRAHAM:

4 Q. At that time in 2004 --

5 A. '5 --

6 Q. -- or 2005, whenever --

7 A. -- whatever the year was, yes.

8 Q. -- at the time in which you were

9 providing services directly to

10 Stanford Financial, did you have a relationship

11 with Ben Barnes? Did you speak with him at that

12 time regularly?

13 A. I would see him socially, but I

14 didn't talk to him about the representation of

15 Stanford.

16 Q. When Yolanda Suarez said that

17 Ben Barnes was doing work for them, did you know

18 that already? Was that a surprise to you?

19 A. No, I -- I don't know -- I -- I

20 don't recall that. But I'm not surprised that he

21 was. I mean --

22 Q. Why is that?

23 A. Well, I mean, we know after the fact

24 that he was certainly representing them. And I

25 knew at the time -- I mean, again, as I testified

1 ROBERT MITCHELL DELK

2 earlier, Ben Barnes was a -- you know, a name
3 that anybody who ran a Washington office would
4 enjoy having as part of their team. He was well
5 connected with Democrats and
6 Republicans -- excuse me -- Democrats in the
7 House and Senate.

8 Having said that, you know, I felt
9 like that, you know, the value I added was my
10 relationship with Republicans and my expertise on
11 financial services companies. But I didn't argue
12 the fact with her. I didn't really have a lot of
13 standing to argue.

14 Q. So your expertise is with
15 interfacing with Republicans?

16 A. Historically, had been, yeah. But
17 my substantive expertise, as I testified, is
18 financial services companies and
19 their legislative and regulatory issues.

20 Q. 2004 was a period in which
21 Republicans were in control of the House?

22 A. Correct.

23 Q. And Ben Barnes, his expertise was
24 interfacing with Democrats?

25 A. Correct.

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2 Q. Do you have an understanding as to
3 why a financial services company at that specific
4 time would have wanted to retain Ben Barnes as
5 opposed to you?

6 MR. MADRID: Objection to form.

7 MR. IGIEL: I object to form --

8 THE WITNESS: No.

9 MR. IGIEL: -- it calls for
10 speculation.

11 THE WITNESS: No.

12 BY MR. ABRAHAM:

13 Q. Do you recall specifically the
14 issues that you advised Stanford Financial with
15 respect to at that time?

16 A. Again, it was -- it was a
17 relationship where Yolanda was trying to
18 understand the regulation of financial
19 institutions, both banks and broker/dealers. And
20 so any issue that was in that space, I tried to
21 interface with her and explain to her what I
22 thought was going on, what the politics are and
23 where it would lead.

24 Q. And then there came a point, as you
25 testified -- you weren't sure exactly when, but

1 ROBERT MITCHELL DELK

2 there came a point when Ben Barnes retained you
3 to work on tax issues for Stanford Financial?

4 A. Well, he said that there was a tax
5 issue that Stanford was interested in, and -- and
6 that was basically the genesis of our
7 relationship.

8 Q. And when was that?

9 A. Again, I -- I think it was 2006 --
10 I -- again, these years are kind of blurring
11 together. It was a decade ago, almost.

12 Q. And why did Ben -- did you reach out
13 to Ben Barnes or did Ben Barnes reach out to you
14 at that time?

15 A. He reached out to me.

16 Q. How did he do that? Do you recall?

17 A. I -- I don't know if it was a phone
18 conversation or a lunch meeting or what, no.

19 Q. Were you surprised when he reached
20 out to you?

21 A. No.

22 Q. Do you know why he reached out to
23 you for -- for a tax issue?

24 A. Well, it was a financial services
25 company that had a tax issue. I don't know what

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2 Ben's expertise was on financial services company
3 or financial services tax issues, but I think Ben
4 felt that I was smart enough to help him
5 understand the issue and prepare him to be an
6 effective advocate for Stanford in that effort.

7 Q. Did you -- at that time when
8 Ben Barnes contacted you, did you believe that
9 Ben Barnes needed your services to achieve
10 whatever goal he was trying to achieve?

11 MR. MADRID: Objection: form.

12 THE WITNESS: I -- I'm very
13 confident he believed I could add value to
14 his -- to his group's effort.

15 BY MR. ABRAHAM:

16 Q. Do you know if Ben Barnes any -- has
17 any expertise or -- or understanding of financial
18 services issues?

19 A. I don't.

20 Q. You don't believe that he has that
21 expertise?

22 A. I didn't say -- I don't know that he
23 does. I don't know -- I mean, he certainly has
24 knowledge of financial institution issues, but,
25 you know, whether he has -- whether it's a

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2 substantive expertise, I don't know.

3 His background is he's, you know,

4 done a lot of development, a lot of things; so, I

5 mean, he would probably know something about

6 banks. But I don't know what his background was;

7 but Ben, again, had many clients and was looking

8 for somebody to help him with a specific one,

9 reached out to me, thinking I could add value to

10 his effort.

11 Q. Why did he specifically need you for
12 this specific engagement?

13 A. I -- I --

14 MR. IGIEL: Object to form.

15 THE WITNESS: -- I can't answer
16 why --

17 MR. MADRID: Object to form.

18 THE WITNESS: -- what he was
19 thinking, but I do think that --

20 THE COURT REPORTER: Wait, wait.
21 I'm sorry.

22 MR. MADRID: Object to form.

23 THE WITNESS: -- but I -- I did have
24 some expertise and a reputation of dealing
25 with financial services issues. And I

1 ROBERT MITCHELL DELK

2 think he thinks that that was -- you know,
3 somebody could help him.

4 BY MR. ABRAHAM:

5 Q. Did he have expertise in that issue?

6 A. Again, I don't know what his
7 expertise was on that particular issue.

8 Q. Aside from this tax issue, which
9 we'll talk about soon, were you retained by
10 Ben Barnes for any other issue in connection with
11 Stanford Financial?

12 A. No.

13 Q. And when you were retained by
14 Ben Barnes, were you retained pursuant to a
15 agreement, a written agreement?

16 A. An oral agreement.

17 Q. And what was your monthly retainer
18 again?

19 A. \$25,000.

20 Q. And when you were paid pursuant to
21 this engagement, were you paid by Ben Barnes or
22 by Stanford Financial?

23 A. By the Ben Barnes Group.

24 Q. Do you recall how you were paid? By
25 check? By wire?

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2 A. Check.

3 Q. In connection with your work for
4 Ben Barnes relating to the Stanford Financial
5 Group, were you ever paid by Stanford Financial
6 or any Stanford entity for this work?

7 A. No.

8 Q. And when you were working for
9 Ben Barnes for the Stanford Financial tax issue,
10 did you interface with anybody at
11 Stanford Financial?

12 A. Primarily interfaced with Ben.

13 Q. Do you recall interfacing with
14 anybody at Stanford In- -- International [sic]
15 for this tax issue?

16 A. Well, this spanned a couple of
17 years, and there were a couple of meetings where
18 Yolanda Suarez was involved in a meeting. They
19 eventually opened up a Washington office, and
20 they, in fact, were briefed on the tax issue.

21 There were a couple of meetings that
22 I was aware of where Allen Stanford was in a
23 meeting over the course of several years, and
24 that's it.

25 But, basically, interfacing was with

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2 Barnes. He was the quarterback of the project.

3 Q. You said Stanford opened up a
4 Washington office?

5 A. Yes.

6 Q. And what do you recall about that?

7 A. Well, I -- I think that there was --
8 from my perspective, they -- Yolanda Suarez
9 wanted to open up a Washington office to kind of
10 manage things herself, as opposed to Ben managing
11 things.

12 And as it turned out, they opened up
13 a Washington office. And she had -- had asked
14 Ben for recommendations, and he asked me for
15 recommendations on people that might be work
16 there. And I gave him a couple of names, which
17 he passed on to Yolanda.

18 They did not -- as I recall --
19 again, this is sometime back -- as I recall, the
20 Washington office was there to follow legislative
21 regulatory issues that could potentially impact
22 the company, but they were excluded or they did
23 not do the tax issue. That was done and overseen
24 and quarterbacked by Ben Barnes Group.

25 Q. What do you mean by "quarterbacked"?

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2 A. Well, he was kind of the -- managed
3 the issue for the company; in other words, in all
4 aspects of it: trying to understand the issue,
5 trying to develop the narrative, trying to
6 develop the legislation, figuring out if the
7 legislation would work, advocating the
8 legislation before Members of Congress and the
9 like.

10 Q. Do you recall when Stanford opened
11 up a Washington office?

12 A. I don't. I think it was probably
13 2009.

14 Q. And you mentioned that they opened
15 the Washington office to replace the work that
16 Ben Barnes was doing?

17 A. I think it was to supplement the
18 work, because they did not, as I recall -- again,
19 Ben was the person who interfaced with the
20 company and Yolanda, primarily. I only did it
21 when I was directed by Ben.

22 It's my recollection, or at least my
23 impression, that it was to supplement Ben's role
24 and to have people who were more ambassadors of
25 the company within the Washington kind of arena

1 ROBERT MITCHELL DELK

2 to promote the company.

3 Q. Were you ever asked to do work for
4 the Washington office?

5 A. No. I -- I met on occasions, at
6 Ben's suggestion, with the Washington office and
7 would update them on what was going on in the tax
8 issue, maybe two or three times on that --

9 Q. Do you recall who you met with at
10 the Washington office?

11 A. Well, there were two people,
12 Jim Conzelman and Lionel Johnson, who worked in
13 that office, and that was the only two people --

14 Q Con -- Conzel- --

15 A - and so --

16 Q. -- man?

17 A. Uh-huh.

18 -- and we would meet and go over
19 kind of where -- where Ben was on the strategy
20 regarding the tax issue.

21 Q. Do you have an understanding as to
22 when Stanford retained Ben Barnes?

23 A. No.

24 Q. Do you have an understanding as to
25 what Ben Barnes was retained to do for

1 ROBERT MITCHELL DELK

2 Stanford Financial?

3 A. Well, I know he was retained to work
4 on this tax issue. Other issues, I don't know if
5 he was -- you know, what -- what his involvement
6 was, to be honest with you.

7 When I started helping Ben on the
8 Stanford issue, it was specifically the tax
9 issue.

10 Q. So you believe Ben Barnes was
11 retained specifically for a tax issue?

12 A. At a minimum.

13 Q. What is this tax issue?

14 A. The USVI, United States
15 Virgin Islands, has a tax break, and products and
16 services that emanate from the Virgin Islands
17 enjoy a much lower corporate tax rate, 10 percent
18 versus 30 percent.

19 I'm sure we'll get into this, but as
20 you look at the issue, there are a couple of
21 things, in fact, that drove this issue. Congress
22 got involved in and regulations were passed
23 regarding the issue. And to take advantage of
24 the tax break, the entity had to be in the USVI
25 183 days. There was a residence requirement, and

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2 there was a sourcing requirement, meaning the
3 source of the income had to emanate from the
4 USVI. So it was a two-part test.

5 And as it turned out -- and I'm
6 skipping over a lot of iterations -- they --
7 Allen Stanford, apparently, moved his operations
8 from Antigua to the USVI so he could meet the
9 residency requirement, but because his income was
10 derived around the world, they were trying to
11 find a way where the sourcing would be broader
12 than just the USVI.

13 And they concluded -- at least I
14 think it -- and with Ben's counsel, that having a
15 sourcing from around the world was not practical,
16 but they would have to find a way potentially to
17 have the sourcing from, quote, the broader
18 Caribbean than the USVI.

19 And that's kind of, you know,
20 what -- after years and discussions -- many,
21 many, many hours of discussions -- that was the
22 conclusion, that, politically, that was the best
23 that could be done.

24 Q. What do you mean by "sourcing"?

25 A. The source of the income. I mean,

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2 it -- it emanates from a situs within a
3 particular jurisdiction. In this case, it would
4 end up being -- coming from, I guess, their
5 professionals that ran whatever entity it was in
6 Stanford out of the Caribbean, as opposed to a
7 world -- global kind of effort.

8 Q. So to qualify for the U.S.
9 Virgin Island tax break, you had to be resident
10 in the Virgin Island -- U.S. Virgin Islands and
11 you had to operate, effectively, from the U.S.
12 Virgin Islands?

13 A. Right.

14 Q. And you were retained to influence
15 legislation to change this operational
16 requirement?

17 A. Well, I was retained by Ben to help
18 him understand the issue, help him develop a
19 narrative around the issue, to help him develop a
20 strategy.

21 As I said, his -- I didn't lobby on
22 the issue. His job was to, you know, come to a
23 conclusion, and then he would lobby the issue.
24 He was -- again, tax bills have to originate
25 constitutionally in the House of Representatives.

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2 And at that time, it moved into
3 2006, the Democrats controlled the House of
4 Representatives. Charlie Rangel was the Chairman
5 of the Ways and Means Committee. And so, you
6 know, it was Ben's role to, in fact, in- --
7 influence the legislation.

8 Q. What do you mean by helping Ben
9 understand the issue?

10 A. Well, basically, "staffing Ben" on
11 the issue, is another way of saying it.

12 I basically sat him down after hours
13 and hours and hours, and this was with a group of
14 people, talking about what the tax issue is; why
15 the ticks -- tax issue is structured the way it
16 is; what are the problems for the way Stanford
17 was operating out of Antigua, as opposed to USVI;
18 what would be the alternatives, whether policy
19 alternatives, was there business arrangement
20 alternatives, that, in fact, could -- he could
21 fit under the -- the -- the test -- could the
22 test be expanded.

23 And so my role was kind of -- was
24 helping him understanding -- help him develop a
25 strategy. And, again, Ben Barnes has been doing

1 ROBERT MITCHELL DELK

2 this a long time, so I think he took my advice
3 and he put it into a Cuisinart and turned it on
4 with a lot of other advice and came out with his
5 own approach to how to do it.

6 Q. Was it your understanding or your
7 recollection that -- at the time you were
8 retained to help Ben Barnes with this tax issue,
9 that he did not understand the issue?

10 A. No, that's not my understanding. My
11 understanding is, is I was helping him better
12 understand the issue and help him develop a
13 narrative around it and a strategy to find the
14 approach that worked for the business model that
15 existed for Stanford.

16 As it turns out, the existing
17 business model didn't work, and so it was a
18 recommendation that they had to change their
19 business model if they wanted to take advantage
20 of the law.

21 Q. Well, how -- to the best of your
22 recollection, what was your impression as to how
23 well he understood the issue at that time?

24 A. I think he very well understood the
25 issue. It was, you know, trying to figure out

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2 where, in fact, there were ways of making it work
3 for Stanford. Was it a change in the statute?
4 Was it a change in their business model?

5 I mean, it's a very complex issue
6 based on thousands of pages of regulations. But
7 we had summarized it basically into the two
8 issues I've just described to you.

9 Q. When you say "we," what do you mean
10 by that?

11 A. Working with Ben, discussing with
12 Ben, Ben's team. I mean, the Ben Barnes Group
13 has a number of people who work on these issues.
14 They may have a bevy of clients. It's a very big
15 operation.

16 This was not their only client, so I
17 was helping him with this one specific issue.
18 Although, as time elapsed, I helped him with
19 other issues.

20 Q. Who else was working with you and
21 Ben Barnes on this tax issue?

22 A. About the time that I started
23 helping Ben, Kent Caperton came onboard. And it
24 was part of his responsibility to work on the
25 issue also, although Kent --

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2 Q. Who is Kent Caperton?

3 A. -- he's a -- an employee of the
4 Ben Barnes Group.

5 Q. Is there anyone else that worked
6 with you guys --

7 A Wyeth --

8 Q -- on this issue?

9 A. -- Wyeth Wiedeman worked on the
10 issue --

11 Q. Who is --

12 A. -- he works for --

13 Q. -- Wyeth Wiedeman?

14 A. -- he works for the
15 Ben Barnes Group.

16 Patsy Thomasson is an employee of
17 the Ben Barnes Group. She worked on the issue.

18 Everybody was involved in this.
19 This is -- my impression was that it was a very
20 big client for Ben.

21 And, eventually, then --

22 Q. Why do you say this was a big client
23 for Ben?

24 MR. MADRID: Objection. I don't
25 know that he finished his answer on that.

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2 THE WITNESS: Well, I -- I had heard
3 Ben say that this was an important issue
4 for an important client. And it was my
5 impression -- again, impression -- that he
6 was paid a lot of money to work this
7 client and probably had a lot of riding on
8 a success fee if it was successful.

9 Again, that was just my impression
10 from conversations with Ben. He -- he
11 didn't specifically or expressly say that.

12 BY MR. ABRAHAM:

13 Q. Were there any other non-Ben Barnes
14 employees that you worked with --

15 A. Yes.

16 Q. -- on this issue?

17 A. Eventually, Ben made the decision
18 that this was such a technical issue in the tax
19 area that he needed to have some help -- the
20 Ben Barnes Group needed help executing the issue.
21 And so he brought on John Raffaelli and one
22 other, who I'm forgetting.

23 Q. Gould?

24 A. No. Gould worked for -- for
25 John Raffaelli.

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2 MR. IGIEL: I can't answer the
3 question for you.

4 THE WITNESS: Okay.

5 I -- I would need a document --

6 MR. IGIEL: I would if I could.

7 THE WITNESS: -- I would need a
8 document --

9 BY MR. ABRAHAM:

10 Q. Okay. But there were others --

11 A. -- yeah, there were -- there --
12 there were people who were known to be so-called,
13 quote, tax experts that were brought in.

14 Q. Why wasn't your expertise sufficient
15 at that time --

16 A. Well --

17 Q. -- to the best of your recollection?

18 A. -- because my relationship was not
19 primarily with the tax writing committees but
20 with the financial services committee. And so it
21 was a substantive expertise issue as well as a
22 relationship issue.

23 Again, at this time, the Democrats
24 were running the -- as I recall, the House and
25 the Senate. And so he, you know, brought in some

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2 people with Democratic relationships to buttress
3 his role and his leadership role for the group.

4 Q. Why did his role need to be
5 buttressed?

6 A. That's a decision he made. I mean,
7 the -- these -- Raffaelli was known as being one
8 of the best tax lobbyists in town. And I
9 thought -- I -- I assume Ben thought that that
10 could add value and help get this issue executed
11 in a way that benefited him.

12 Q. And aside from Raffaelli, his
13 partner, did you recall anyone else being part of
14 this working group?

15 A. Yes. I -- I -- I'm just totally
16 drawing a blank on who the other individual was,
17 but --

18 Q. Okay.

19 A. -- he had been -- he had worked for
20 Senator Baucus for many years.

21 Q. Do you recall if Ben Barnes was
22 working, with respect to this issue, for
23 Stanford Financial or for Allen Stanford,
24 personally?

25 A. I have no idea. I mean, again, I

1 ROBERT MITCHELL DELK

2 didn't work -- I was working for Ben, and I just
3 was working for him on the issue and didn't know
4 the corporate arrangement or the corporate entity
5 that was -- I know that he had many conversations
6 with -- with Allen Stanford; but I don't know who
7 the representation was for.

8 Q. And all payments with respect to
9 your work on this tax issue were made by
10 Ben Barnes and not Stanford Financial?

11 A. They were made by the
12 Ben Barnes Group, not Ben Barnes.

13 Q. Okay.

14 MR. ABRAHAM: Let's mark this as
15 Delk 2.

16 - - -

17 (Whereupon, Third-Party Defendant
18 Robert Mitchell Delk's Responses
19 to Plaintiff's First Set of
20 Interrogatories was marked, for
21 identification purposes, as Delk
22 Exhibit Number 2.)

23 - - -

24 BY MR. ABRAHAM:

25 Q. Okay. I've placed before you what's

1 ROBERT MITCHELL DELK

2 been marked Delk 2 -- Exhibit Delk 2.

3 Would you please take a moment and
4 review it?

5 (Whereupon, the witness reviews the
6 material provided.)

7 BY MR. ABRAHAM:

8 Q. Does this document look familiar to
9 you?

10 A. Yes.

11 Q. And what is this document?

12 A. This is Third-Party Defendant
13 response to the Plaintiff's First Set of
14 Interrogatories.

15 Q. Did you -- do you recall working on
16 this document?

17 A. Yes.

18 Q. Okay. I'd like you to turn to
19 Page 8 of this document --

20 A. Before you do that, the other
21 individual I drew a blank on was Jeff Forbes.

22 Q. Jeff Forbes --

23 A. Yeah.

24 Q. -- okay.

25 And you testified that Mr. Raffaelli

1 ROBERT MITCHELL DELK

2 was a well-known tax lobbyist --

3 A. As was --

4 Q. -- he --

5 A. -- Mr. Forbes.

6 Q. Okay. That -- yeah, that's my
7 question.

8 Do you have an understanding as to
9 why Ben Barnes or Ben Barnes Group needed two tax
10 lobbyists for this issue, as opposed to one?

11 A. No. Both were very, very good,
12 though, well known in the field.

13 Q. Do you know if they were engaged
14 pursuant to a written agreement?

15 A. I have no idea.

16 Q. Turning to Page 8 of the document
17 before you, Delk 2.

18 The bottom of Page 8 says, During
19 the relevant time frame, Delk was engaged by the
20 Ben Barnes Group, L.P. on numerous matters for
21 clients that were not the Stanford parties.

22 A. Correct.

23 Q. Do you recall who those clients
24 were?

25 A. Yes.

1 ROBERT MITCHELL DELK

2 Q. Who were they?

3 A. One client was Meridian Investments;
4 one client was Acacia, which was an FDIC case --

5 Q. What do you mean by that, "FDIC
6 case"? They had taken over that --

7 A. No. They were trying to buy a
8 property from the FDIC --

9 Q. Oh.

10 A. -- the client was.

11 -- one client was a trade
12 association that represented small-dollar
13 Internet lenders.

14 And that was the three that I
15 recall.

16 Q. Do you recall why you were engaged
17 by Ben Barnes Group for these other clients?

18 A. Again, I think Ben was relying on me
19 to help him prepare for the -- to manage the
20 clients. He reviewed -- he knew of my expertise
21 in the financial services arena and, I assume, my
22 relationships with some of the relevant Members
23 that oversaw those issues.

24 Q. Was your work for Ben Barnes on
25 these other clients -- were you paid a separate

1 ROBERT MITCHELL DELK

2 retainer for -- for your work on --

3 A. Yes.

4 Q. -- them?

5 Okay. Do you recall what the
6 amounts were for those other clients?

7 A. Well, the -- the Meridian was an
8 initial up-front fee of \$50,000; the Acacia was
9 two payments, which I think totaled \$50,000,
10 25,000 increments; and the Online Consumer [sic]
11 Network was a retainer of 25,000 a month; and
12 then the MCC Computer, I think, was two payments,
13 one of 10,000 and a second of 10,000.

14 All the payments did not come from
15 the clients but came from the Ben Barnes Group.

16 Q. Did you invoice these payments
17 separately? Did you segregate your invoicing --

18 A. I -- I don't recall that.

19 Q. Are you confident that you could
20 track the payments that were made specifically
21 from Ben Barnes for your work on
22 Stanford Financial in -- as opposed to the
23 payments that were made for these other clients?

24 A. I think so.

25 Q. On Page 9 of this document, the

1 ROBERT MITCHELL DELK

2 second line from the top, you write, Out of the
3 \$500,000 the Ben Barne Group -- Ben Barnes Group,
4 L.P. claims it paid me for work related to the
5 Stanford parties, approximately 125- to 175,000
6 of that money was for services I performed for
7 other clients --

8 A. Correct.

9 Q. -- and you list these other clients.

10 A. Correct.

11 Q. Why do you believe that
12 Ben Barnes Group's claims that they paid you more
13 for Stanford Financial than -- than they actually
14 did?

15 A. I have --

16 MR. MADRID: Objection: form.

17 THE WITNESS: -- no idea.

18 BY MR. ABRAHAM:

19 Q. Why do you estimate that it's
20 between 125- and \$175,000, as opposed to a more
21 specific number?

22 A. Because I -- I -- I don't have the
23 records of how much Acacia and MCC actually paid.
24 The -- the Meridian Investments was \$50,000, as I
25 said. Ben Barnes owed me money for the Online

1 ROBERT MITCHELL DELK

2 Consumer [sic] Network, which was never paid.

3 But I didn't know the exact amounts.

4 I didn't have the records of the exact amounts on
5 the Acacia and MCC because they were two or three
6 different payments.

7 Q. So this is based on your
8 recollection?

9 A. Yes, it is.

10 Q. You also write that Ben Barnes
11 continues to owe you money for these services --
12 for other -- for non-Stanford clients?

13 A. Well, the money was not paid. I
14 don't know that -- if it's owed or what. And
15 obviously not -- has not been paid, and I don't
16 think it will be paid.

17 Q. Have you taken steps to seek payment
18 of those funds?

19 A. Other than complaining, no.

20 Q. Fair enough.

21 I'd like you to turn back to Page 8
22 of this document.

23 A. Okay.

24 Q. And towards the -- towards the top
25 is your response to Interrogatory Number 2. And

1 ROBERT MITCHELL DELK

2 you write that Delk was engaged by the
3 Ben Barnes Group to perform Government relations
4 and lobbying services with respect to certain
5 offshore taxation issues and other issues.

6 In addition to the taxation issues,
7 what are these other issues that you refer to
8 here?

9 A. Well, the only issue I really
10 staffed or counseled Ben on was the tax issue,
11 and it -- you know, it -- when I -- it was an
12 offshore taxation issues. But the other issues
13 involved really the specifics of the tax issue,
14 you know, the residency issue and the sourcing
15 issue. That's what I meant by that. It was a
16 very limited focus on those particular issues as
17 they kind of un- -- unwound.

18 Q. So, again, what do you mean by
19 "other issues"? Is that -- or is it -- is that
20 sort of folded into these --

21 A. It is --

22 Q. -- other issues?

23 A. -- yes, it is. That's probably a
24 poor choice of words on my part.

25 The -- the -- the taxation issues --

1 ROBERT MITCHELL DELK

2 and it really should have said, more
3 specifically, the residency requirements --

4 Q. I see.

5 A. -- and the sourcing requirement.

6 There were no other issues that
7 related to Stanford that I worked on.

8 Q. And you were engaged to provide
9 lobbying services?

10 A. Lobbying services, not lobbying. I
11 mean, I --

12 Q. What's the difference?

13 A. -- I didn't actually engage in an
14 unarm -- ongoing -- interfacing with a Member of
15 Congress. I did the -- I did materials for Ben
16 that he potentially used, talking points.

17 As I said earlier, I developed a
18 narrative regarding the importance of the
19 Caribbean to the United States, which was a
20 mammoth project. I then went through and helped
21 understand the different issues involved in this
22 offshore tax issues and looked at it through
23 Ben's lens on kind of what would work and would
24 not work, from my perspective.

25 Q. Did you register as a lobbyist for

1 ROBERT MITCHELL DELK

2 Stanford Financial?

3 A. No. I didn't lobby. As I said,
4 this was -- I was providing these services to
5 Ben.

6 Q. Did you register as a lobbyist for
7 Ben Barnes Group?

8 A. No. I was not lobbying -- again, I
9 was providing Ben's staffing on this and helping
10 him develop strategic -- giving him strategic
11 advice on, in fact, how to approach this.

12 Q. Did you register as a lobbyist for
13 any of the clients you were working for in
14 connection with Ben Barnes?

15 A. The only one that I did was -- was
16 the Online Consumer [sic] Network.

17 Q. And that's because -- why did you
18 register specifically for that client, as opposed
19 to other clients?

20 A. Because I was actually doing --
21 interfacing with Members of Congress on the issue
22 of MCC. And Meridian, I didn't do lobbying on
23 that. That was giving him strategic advice on
24 how to approach a -- a regulatory advice.

25 Q. So it's your testimony that you

1 ROBERT MITCHELL DELK

2 provided strictly advisory services --

3 A. Right.

4 Q. -- but not lobbying services?

5 A. Right.

6 Q. Okay.

7 And your client was Ben Barnes, not
8 Stanford Financial?

9 A. Yeah -- Ben Barnes Group. I mean, I
10 don't know who it -- I mean, it was the --

11 Q. Let me just clarify. When I say
12 "Ben Barnes," I mean --

13 A. Okay --

14 Q. -- his entity.

15 A. -- fair enough.

16 I just didn't want to -- you to
17 catch -- try to catch me and say, No, no, there's
18 a difference between Ben Barnes and
19 Ben Barnes Group, because I would view them as
20 the same thing also.

21 Q. For purposes of -- of these
22 questions, let's --

23 A. Okay.

24 Q. -- let's say that they're one and
25 the same.

1 ROBERT MITCHELL DELK

2 A. Fair enough.

3 MR. IGIEL: I would object to that.

4 But, nonetheless, go ahead.

5 MR. ABRAHAM: Let's mark this as

6 Delk 3.

7 - - -

8 (Whereupon, an e-mail was marked,

9 for identification purposes, as

10 Delk Exhibit Number 3.)

11 - - -

12 (Whereupon, the witness reviews the

13 material provided.)

14 BY MR. ABRAHAM:

15 Q. I've placed before you what's been
16 marked Exhibit Delk 3. This is an e-mail from
17 smartin@benbarne- -- -barnesgroup.com to a number
18 of people, and you're cc'd on this e-mail.

19 Is that correct?

20 A. Correct.

21 Q. And do you recall this e-mail?

22 A. No.

23 Q. Does this e-mail look familiar to
24 you at all?

25 A. No.

1 ROBERT MITCHELL DELK

2 Q. So do you have any reason to doubt
3 that you were not cc'd on this e-mail?

4 A. Oh, no.

5 Q. Okay. Now, the e-mail, nominally,
6 is from a e-mail address with the name smartin,
7 but it's signed Ben.

8 Is that Ben Barnes who's sending
9 this e-mail?

10 A. That would be my understanding.

11 Q. Do you know why Ben Barnes is
12 sending an e-mail from an e-mail address with the
13 name smartin?

14 A. She was an assistant for Ben Barnes
15 and -- and had -- would send stuff out pursuant
16 to his instruction. That would be my assumption.

17 Q. Do you recall receiving e-mails from
18 an e-mail address with the name Ben Barnes in it,
19 or did he always send e-mails from Susan Martin's
20 e-mail address?

21 A. I'd -- I would think that probably
22 most of the time, it'd be from Susan Martin.

23 Q. Why would you -- why would you think
24 that, to the best of your recollection?

25 A. I think that she was an assistant to

1 ROBERT MITCHELL DELK

2 him. And I think, you know, he would just call
3 her and say, Send out an e-mail. That would be
4 my experience.

5 I don't think Ben was very much a
6 user of e-mail, creating them himself.

7 Q. Okay. Having reviewed this e-mail,
8 the subject is Legislative Game Plan.

9 Do you know what that refers to?

10 A. My assumption is a legislative game
11 plan regarding the Tax Act and the proposed or
12 necessary changes that Stanford Financial was
13 pursuing.

14 Q. And these are the tax changes?

15 A. That would be my assumption.

16 Q. The last line of the e-mail says
17 that I ask you, Scott Reed, Mitch Delk and/or
18 Kent Caperton either meet in person or by
19 conference call later this week in preparation
20 for our August 31st meeting.

21 Do you recall what you were being
22 asked to do at this meeting?

23 A. I don't.

24 Q. Okay. I mean, it seems that
25 Ben Barnes is tasking you and a bunch of other

1 ROBERT MITCHELL DELK

2 people with meeting and proposing a legislative
3 game plan; is that correct?

4 A. That's what it looks like, but as
5 you see here, this -- I was cc'd. This was to a
6 guy named Jim Miller --

7 Q. And who is Jim Miller?

8 A. He was a -- a tax lawyer who I think
9 did work for the Stanford people, not for Ben.

10 But I assume that that's what --
11 it's just to talk about legislative strategy. As
12 you see here, he said he talked with
13 Senator Baucus, and he alludes to
14 Senator Grassley. They were the two -- they were
15 the Chairman and Ranking Member of the Finance
16 Committee in the Senate.

17 Q. And do you recall which law firm
18 Jim Miller worked for?

19 A. I -- I don't.

20 Q. Did you recall working with other
21 outside counsel in connection with this tax
22 issue?

23 A. Yes.

24 Q. And do you recall who they were?

25 A. We worked with the law firm that

1 ROBERT MITCHELL DELK
2 represented the United States Virgin Island
3 Government, and that was -- I don't recall the
4 name, but I -- I'm sure, in documentation, we'll
5 recall it.

6 But there were two gentlemen who
7 worked the issue of the USVI tax advantage for
8 the USVI.

9 Q. And as part of this process, you
10 were working with those attorneys, or you were
11 working opposite those attorneys?

12 A. Oh, no; with them.

13 Q. Why were you working with
14 attorneys --

15 A. They --

16 Q. -- from the U.S. Virgin Islands?

17 A. -- had an interest in preserving and
18 en- -- enhancing the USVI tax advantage. And
19 because they worked -- represented the USVI, Ben
20 had asked us to have a work- -- working
21 relationship with these people. And we met with
22 them, Kent and I did, many, many, many, many,
23 many times.

24 Q. And it appears from this e-mail that
25 Ben Barnes is sort of quarterbacking this general

1 ROBERT MITCHELL DELK

2 effort; is that correct?

3 A. That would be my conclusion.

4 Q. And how involved in the details do
5 you recall Ben Barnes being when it came to
6 formulating an answer to this tax issue?

7 A. Well, I think Ben has a unique
8 ability to take something very complicated and
9 understand it from a political perspective,
10 having been a legislator himself. And so, you
11 know, I think he can -- again, I -- I basically
12 had taken a thousand-page regulation and reduced
13 it, to Ben's knowledge, to one page. And I think
14 he understood that the issue came down to two
15 very important issues.

16 And so I think he understood it very
17 well.

18 Q. So the role of this group was to
19 analyze thousands of pages and reduce it to a
20 two-page document for Ben Barnes?

21 A. No. The objective of the group was
22 to come up with a strategy of getting the
23 legislation passed. And in order to understand
24 a -- or develop a strategy, you have to have some
25 understanding of the substantive issues involved

1 ROBERT MITCHELL DELK

2 in the current law.

3 And I think what I was saying was I
4 was trying to help Ben understand the current law
5 so he would understand what the changes that were
6 needed, and then he could put that through his
7 political filter, which was very, very good.

8 That's why he was paid by a lot of
9 people to give political counsel.

10 Q. Do you know what he was paid by
11 Stanford Financial?

12 A. I don't -- absolutely not.

13 Q. Did he ever discuss that with you?

14 A. No.

15 Q. Is it common for a financial
16 institution to retain someone as a so-called
17 "quarterback lobbyist" with respect to a certain
18 issue?

19 A. Well, it -- it would depend on the
20 issue and the firm. I mean, most large firms --
21 let's take a Freddie Mac or a JPMorgan Chase --
22 they have their own office. And so they would
23 hire people or retain people, like Ben Barnes, to
24 give them more counsel and -- or to specifically
25 target one Member that they had a great

1 ROBERT MITCHELL DELK

2 relationship with.

3 There are 535 Members of Congress,
4 so even a large office can't have a relationship
5 with everybody. And even if they did, there are
6 people like Ben Barnes that have a better
7 relationship than anybody does with particular
8 Members.

9 So I -- quarterbacking an issue for
10 them, probably not; but having them part of the
11 team and offering invaluable counsel and
12 invaluable relationships, yes.

13 Q. So it's your understanding that
14 Ben Barnes was retained to quarterback this issue
15 for Stanford Financial, and then Ben Barnes
16 retained you and various other people to advise
17 him on this specific tax --

18 A That's --

19 Q -- issue?

20 A. -- that's exactly right.

21 Q. Is that an unusual arrangement?

22 A. Well, as I just said, any large
23 financial institution would have their own
24 office, but since Stanford did not have their own
25 office, this is not unusual at all for them to

1 ROBERT MITCHELL DELK

2 retain Ben to do this type of thing.

3 THE VIDEOGRAPHER: This concludes

4 Disc 1 in the deposition of Robert

5 Mitchell Delk. Off the record at 1:24.

6 - - -

7 (Whereupon, a discussion was held

8 off the record.)

9 - - -

10 THE VIDEOGRAPHER: This begins

11 Disc 2 in the deposition of Robert

12 Mitchell Delk. On the record at 1:27.

13 BY MR. ABRAHAM:

14 Q. Okay. We spoke speci- -- we spoke
15 generally about this -- this tax issue that you
16 were retained by Ben Barnes to give advice on.

17 Can you describe specifically what
18 the issue was?

19 A. Yeah. As I've said, the -- the
20 United States Virgin Islands has a tax benefit
21 for individuals or enterprises that operate
22 within the USVI and their products and services
23 emanate from the USVI.

24 As a little background, there were a
25 lot of abuses of that -- that tax advantage,

1 ROBERT MITCHELL DELK
2 people owning car dealerships in the
3 United States and moving their company --
4 corporate headquarters but not themselves to the
5 USVI. And that was corrected around 2004, I
6 believe. And then the regulations I've alluded
7 to earlier were spawned by that legislation.

8 And so the issue comes down, again,
9 to who is a resident of the USVI and where is the
10 source of the income from the corporate entity to
11 qualify.

12 So it's a two-part test.

13 Q. And -- and how would you describe
14 the second part of that test? What is the sort
15 of source test that -- that you refer to?

16 A. Yeah. Well, it's a very complicated
17 tax issue, which you'll get a much more eloquent
18 answer from Raffaelli or -- or the others. But
19 my understanding is, does the, in fact, revenue
20 associated with the company, in fact, come from
21 the corporate -- corporate entity in the USVI?

22 Q. In other words, is the item
23 manufactured in USVI?

24 A. Right. And that becomes a little
25 bit more difficult when you have financial

1 ROBERT MITCHELL DELK

2 services where it's more informational than it
3 is, in fact, a product or a widget, or something
4 of that nature.

5 Q. Are you familiar with any other
6 financial services company that's based out of
7 USVI?

8 A. There are a number of hedge funds
9 that are. There are a number of entities that
10 are in the low-dollar/small-dollar lending
11 business.

12 I don't know that they're there,
13 per se, to take advantage of the tax breaks or
14 they're there to, in fact -- to obviate some of
15 the regulatory oversight of their activities.

16 Q. Are you familiar with any banking
17 institutions that are based in USVI?

18 A. No. But I -- that doesn't mean
19 they're not. I'm just not familiar with them.

20 Q. And what specifically was the
21 problem that Stanford Financial came to your
22 group with?

23 A. Well, at the time,
24 Stanford Financial operated out of Antigua. And
25 I say they operate out of Antigua. They also

1 ROBERT MITCHELL DELK
2 obviously had offices in Houston and other places
3 that was -- you know, but they -- they had a --
4 an entity out of Antigua.

5 And the issue was, one, did
6 Allen Stanford reside 183 days in the USVI; and,
7 secondly, did the income that was produced by the
8 company, did it emanate out of the USVI?

9 Q. Why was it a question as to where
10 Allen Stanford, himself, personally resided, as
11 opposed to the headquarters of the corporation?

12 A. It was the tax opinion of -- of the
13 tax experts that, in fact -- that he was, in
14 fact, the corporation himself; and, therefore,
15 where he resided was important.

16 But having said that, it was clear
17 that, you know, the corporation itself or the
18 entity that was the financial corporation --
19 financial services corporation, likewise, would
20 have to be in the USVI.

21 Q. And what advice did your group --
22 you and/or your group --

23 A. The -- the --

24 Q. -- ultimately give to
25 Allen Stanford?

1 ROBERT MITCHELL DELK

2 A. -- the advice ulti- -- ultimately
3 was is that Allen Stanford could not take
4 advantage of that tax break from a residency
5 perspective if he lived in Antigua, unless he, in
6 fact, had 183 bed nights in the USVI.

7 And there were one or two ways that
8 he could meet that test: One, he could fly in on
9 his plane at 5 till 12:00, and then fly out at 5
10 after 12:00, and he could do that --

11 Q. Twelve?

12 A. -- 11:55 p.m. and fly out at
13 12:05 a.m. And, technically, that would be
14 two days. And he could end up doing that 92
15 times.

16 Q. So he would have to stop for
17 10 minutes --

18 A. Yeah --

19 Q. -- in the USVI, and that's --

20 A. -- and -- and --

21 Q. -- considered two days of residency?

22 A. -- and -- and tech- -- that would be
23 bed nights.

24 So, technically, I assume that would
25 certainly meet the test. That wouldn't meet the

1 ROBERT MITCHELL DELK

2 spirit of the test, obviously.

3 And so what Barnes told him, I
4 believe -- I didn't -- I was not privy to
5 conversations, but --

6 MR. MADRID: I would object to
7 speculation.

8 Excuse me. Go ahead.

9 THE WITNESS: -- well, what --

10 MR. ABRAHAM: While -- I'd ask you
11 to object after I -- after my question as
12 opposed to while the witness is
13 testifying.

14 MR. MADRID: I'm objecting to the
15 answer, not the object -- not the
16 question.

17 THE WITNESS: -- I think what Barnes
18 counseled him to meet that residency
19 requirement, he would have to, in fact,
20 move himself and the entity to the USVI.

21 BY MR. ABRAHAM:

22 Q. And how did you
23 advise Allen Stanford or Stanford Financial to --
24 to address the second prong of the sourcing test?

25 A. Well, that was the -- that was the

1 ROBERT MITCHELL DELK

2 real tickler in the legi- -- in -- in -- in the
3 law, because it was ambiguous as about what
4 sourcing income was. And what eventually was
5 going to -- would -- preferred was be the law
6 read that, in fact, if the income is sourced from
7 a location in the USVI, despite the fact that
8 income -- if it came back into the USVI,
9 regardless of its loc- -- origination, in fact,
10 it would be sourced in the USVI.

11 That became the real issue for
12 Stanford.

13 Q. Sorry. Can you explain that again?

14 A. If -- if, in fact, Allen Stanford
15 moved himself and the corporation, he would meet
16 the residency requirement.

17 The fact that he had brokers, let's
18 say, in Houston and in Atlanta, the fact that the
19 money came back to the entity in the USVI, if the
20 sourcing language was broad enough, it would, in
21 fact, include that income.

22 And so they were trying to make sure
23 that the income -- or the sourcing requirement
24 was sufficiently broad that it would, in fact,
25 entail those dollars that had really, I guess,

1 ROBERT MITCHELL DELK

2 emanated from Houston and Atlanta but,

3 ultimately, were parked in the USVI --

4 Q. So --

5 A. -- the decision --

6 Q. -- if I'm understanding this

7 correctly, the residency and the sourcing prongs

8 would be met by having Allen Stanford resi- --

9 reside for 100 and something bed nights in the

10 USVI.

11 In other words, his residency --

12 A. The -- the residency would be --

13 residency require- --

14 Q. -- would be sufficient for both

15 prongs --

16 THE COURT REPORTER: Wait, wait,

17 wait. One person at a time.

18 His residency what?

19 BY MR. ABRAHAM:

20 Q. -- would be sufficient for both

21 prongs of the test?

22 A. No --

23 Q. Okay.

24 A. -- no. He could meet the residency

25 requirement by either a way that you've

1 ROBERT MITCHELL DELK

2 articulated or moving himself and his corporate
3 organization to the USVI.

4 The sourcing was a more tricky
5 issue.

6 Q. In what sense was it more tricky?

7 A. Because, let's say, for example, as
8 I just did, he had a brokerage firm in Houston,
9 but, nonetheless, the corporate entity in the
10 USVI. It was unclear whether, in fact, that
11 brokerage activity, emanating out of Houston but,
12 nonetheless, the dollars flowing back to the
13 USVI, would qualify under the sourcing rules.
14 And it would require, my understanding, a
15 clarification of that rule.

16 Q. And how did you seek to clarify that
17 rule for the benefit of your client?

18 A. It would be done through a
19 legislative proposal.

20 Q. To who?

21 A. To the Tax Code.

22 Q. To the U.S. Congress to amend the --

23 A. Yes --

24 Q. -- Tax Code?

25 A. -- yes.

1 ROBERT MITCHELL DELK

2 Q. Did it involve local regulations in
3 USVI or was it -- that -- was it the Federal
4 level?

5 A. That is at the Federal law because
6 it's a Federal tax issue.

7 Q. I understand.

8 And how did you propose amending the
9 Tax Code in this regard?

10 A. It would be amended to make the
11 sourcing rules broader than they currently were.
12 And that's where the expertise of people like
13 John Raffaelli, who understood those
14 idiosyncratic provisions of the Tax Code better
15 than anyone -- why I assume Ben brought them into
16 the -- to the team -- to his team.

17 Q. And had this recommendation been
18 implemented, had the Tax Code been amended, who
19 would have benefited from this amendment in
20 the -- or this change in the Tax Code --

21 A. Well --

22 Q. -- is this Allen Stanford?

23 A. -- yeah.

24 -- first of all, the USVI would have
25 benefited because they would have had a lot of

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2 jobs created in the USVI, which was really an
3 economic-depressed area.

4 Q. How would have jobs been created?

5 A. Because he was going to move his
6 corporate organization to the USVI, and that
7 would have been -- I don't know -- he -- Ben
8 claims there would have been thousands of jobs
9 created, which was a big deal; and then,
10 secondly, certainly, Allen Stanford would have
11 benefited, or his organization would have,
12 because, as I allude to earlier, as opposed to
13 paying a 30 percent corporate tax, he would have
14 been paying a 10 percent corporate tax.

15 So let's say if you made a dollar
16 and you paid 30 cents under the existing Tax
17 Code, and under the new Tax Code, you paid
18 10 cents, you're going to have a 20-cent profit
19 there, just by virtue of the tax law change. So
20 it could have been, you know, as Ben would argue,
21 a win-win situation, a win for the USVI and a win
22 for not only Allen Stanford, but a win for other
23 people who wanted to move their corporations
24 there and take advantage of it.

25 Q. So this would have benefited

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2 Allen Stanford financially?

3 A. Yes -- well, I -- when you say
4 "Allen Stanford," again, like Ben Barnes and
5 Ben Barnes Group --

6 Q. No. I mean -- when I'm saying
7 "Allen Stanford" now, I mean Allen Stanford,
8 personally.

9 A. I -- I don't know that.

10 I don't know what his corporate
11 entity looked like.

12 Q. Well, you testified earlier that it
13 was your understanding or the understanding of
14 certain attorneys that Allen Stanford and his
15 organizations were coextensive or were one.

16 A. Well, as I said earlier, I believe
17 that what was decided was he would have to move
18 not only himself, personally, but his corporate
19 structure to the USVI.

20 So I don't know that you can draw
21 that distinction that they're one and the same.

22 Q. Why did he have to move there
23 personally, to the best of your knowledge?

24 A. That was what the tax lawyers
25 concluded based on looking at the regulations --

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2 Q. Okay.

3 A. -- and I'm not sure whether that's
4 a -- he was a principal shareholder or -- or how
5 that corporate entity worked.

6 MR. ABRAHAM: I think we're up to 4,
7 Delk 4.

8 - - -

9 (Whereupon, an e-mail with
10 attachment was marked, for
11 identification purposes, as Delk
12 Exhibit Number 4.)

13 - - -

14 THE WITNESS: Thank you.

15 BY MR. ABRAHAM:

16 Q. I've placed before you what's been
17 marked Exhibit Delk 4.

18 A. Yep.

19 Q. This is an e-mail from Ben Barnes to
20 Allen Stanford. The subject of the e-mail is,
21 America's Third Border.

22 There are two documents attached:
23 One is a Word document; one is a PowerPoint
24 document. And they're both dated September 26th,
25 2005.

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2 The e-mail states, Allen -- Here is
3 the work of the economists and writers who were
4 supervised by Mitchell [verbatim] Delk,
5 Scott Reed and Kent Caperton. We are pleased
6 with the final product and hope you share that
7 view. Best regards, Ben.

8 The title of the documents attached
9 also is America's Third Border.

10 First of all, does this -- does --
11 does this document look familiar to you, the
12 document that's attached to this e-mail?

13 A. Yes.

14 Q. And what -- what are these
15 documents, the Word document and the PowerPoint?

16 A. This is a document that created the
17 narrative that the USVI and, more broadly, the
18 Caribbean are strategically important to the
19 United States --

20 Q. And -- and let me just interrupt.

21 When you say this "created the
22 narrative," this would be the narrative phase of
23 your engagement?

24 A. Yes.

25 Q. Where you create a white paper?

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2 A. Yes.

3 Q. Okay. So this is the white paper
4 that you --

5 A. Yes.

6 Q. -- created for the tax issue?

7 A. Yes.

8 Q. Okay. I'm sorry. You can continue.

9 A. No, no, no.

10 And as you can see in the document,
11 it does not mention the tax issue. It just talks
12 generally about the Caribbean and about the
13 importance of that region to this country. And
14 it was really to -- to, you know, kind of change
15 the impression that USVI is more than just a
16 vacation location.

17 It really is a strategically
18 important region for a lot of reasons for the
19 United States, both from a national security
20 perspective, both from a trade point of view.

21 And if you look at it like that,
22 then, in fact, it probably makes sense that you
23 would do anything you can to enhance the business
24 and economic activity within this region to, in
25 fact, pro- -- to promote that strategic alliance

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2 with the region.

3 Q. So what is America's Third Border
4 according to the document --

5 A. The Caribbean --

6 Q. -- the USVI or the Caribbean?

7 A. -- the Caribbean -- Caribbean. You
8 can see it's much broader than the USVI if you
9 look at the map on the first page.

10 Q. And why -- why is it relevant or --
11 or why is it relevant to your engagement to talk
12 about the Cari- -- Caribbean, as a whole, as
13 opposed to changing the Tax Code specifically as
14 it relates to the USVI?

15 A. Well, when the whole project started
16 out, there were two things going on with -- as I
17 stated earlier: One is Allen Stanford lived
18 in Ant- -- as I understood his business part of
19 it, out of Antigua; and, second, in that regard,
20 he was creating a resort in the Antigua islands
21 that would, in fact, be alluring to, at least,
22 affluent people throughout the world.

23 And the objective there was to, in
24 fact, enhance the economic activity on that
25 particular island. And what he was hoping to do,

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2 at that point in time, was to take all the
3 revenues associated with the business he was
4 doing in Antigua and take advantage of the USVI
5 tax law.

6 And so in order to do that, you
7 would have to either eliminate -- and/or
8 eliminate the residency requirement and/or
9 tremendously expand the sourcing rules.

10 And after a lot of meetings, a lot
11 of discussions, it was concluded that elimination
12 of the residency requirement was politically
13 impossible, it couldn't be done; and that,
14 potentially, what could be done was a broadening
15 of the sourcing rules if, in fact, you could
16 establish a really economic nexus with the USVI.

17 So this initially was done to show
18 the importance of the entire region --

19 Q. So if I understand this correctly,
20 the recommendation was to expand the sourcing
21 rule from USVI to the rest of the Caribbean?

22 A. Well, initially, it was to
23 eliminate, potentially, the residency requirement
24 and expand the sourcing rule. And that was
25 determined to be politically impossible to do.

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2 And so then it was to move his
3 operations to the USVI and then to expand the
4 sourcing rule only. And that's why I assume he
5 eventually moved himself and the operation to the
6 USVI.

7 Q. Expanding the sourcing rule to
8 include the rest of the Caribbean, would that
9 have meant that entities could be located outside
10 of USVI or at least operate --

11 A. No --

12 Q. -- outside of --

13 A. -- no --

14 Q. -- USVI --

15 A. -- the residency --

16 Q. -- so what does --

17 A No --

18 Q -- that mean?

19 A. -- the residency requirement would
20 still be in existence, and so any business that
21 took advantage of the tax advantage would have to
22 reside, both individually or the corporate
23 entity, in the USVI. But this was making clear
24 that sourcing coming outside of activities in the
25 Caribbean could more broadly be used for the

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2 sourcing rule in the USVI.

3 Q. Did you believe this was a viable
4 proposal --

5 A. Yeah --

6 Q. -- at the time?

7 A. -- yeah, I did.

8 Q. And why is that?

9 A. I just think, when you look at this,
10 that there is a lot of strategic economic
11 and other interest in the Caribbean from the
12 United States that really goes overlooked unless
13 somebody had, in fact, produced something like
14 this and -- and -- and, you know, demonstrated to
15 the world and to public policy officials that, in
16 fact, it made sense.

17 I mean, you've got to make
18 something -- you -- you can't -- you know, if
19 you're trying to effectuate -- effect a change in
20 the law, you've got to demonstrate that the
21 existing policy either is not good or it can be
22 better. And you've got to have at least a -- an
23 idea of, you know, what the advantages and
24 benefits would be coming from the change.

25 Q. What would have been the benefits to

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2 the USVI had the sourcing rule been expanded to
3 the rest of the Caribbean?

4 A. It would have been somewhat diluted
5 because you were, in fact, taking the sourcing
6 rule and making it -- the Caribbean more specific
7 than the USVI.

8 Again, that's why I think, at the
9 end of the day, both the residency
10 requirement -- the proposal would have maintained
11 that, and it would have just made the -- the
12 sourcing rules the USVI with a preference for the
13 Caribbean.

14 Q. And this document says that it was
15 prepared for the Stanford Washington Research
16 Group.

17 What is the Stanford Washington
18 Reach -- Research Group?

19 A. I -- I don't know what that entity
20 is. There was a -- I know at one time, Stanford
21 had purchased a PaineWebber Research Group in
22 Washington, and I think that might be the
23 successor to that.

24 I don't know why it was for the
25 Washington Research Group instead of

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2 Stanford Financial. I have no clue.

3 Q. And according to this e-mail, you
4 supervised various economists and writers --

5 A. Right.

6 Q. -- for the creation of this white
7 paper?

8 A. Right.

9 Q. And do you recall who you supervised
10 and when?

11 A. There was a -- an economist named
12 Bob Vanderwarker (phonetic) and an economist
13 named Beth Price who helped do the research on
14 this.

15 Q. Did you retain these individuals?

16 A. No. They were retained by
17 Ben Barnes Group at my recommendation.

18 Q. So just so I understand the
19 structure correctly, Stanford Financial retains
20 Ben Barnes -- and by that, I mean
21 Ben Barnes Group -- Ben Barnes then retains you,
22 Scott Reed, Kent Caperton, Raffaelli, others; and
23 then you guys at that level make recommendations
24 that additional economists and writers, such as
25 those you just mentioned, be retained at a -- at

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2 a lower point on the tier to all work together
3 for --

4 A. I don't think there's any tiers,
5 because we all worked for the Ben Barnes Group.
6 I mean, this was part of the effort that had been
7 substantively unassailably prepared to argue this
8 case.

9 And so the first step was to argue
10 the importance of the Caribbean, generally, and
11 then, you know -- so we needed some economists
12 who really had expertise on economic data and
13 research and could help do this.

14 Q. How many people would you estimate
15 contributed to this white paper?

16 A. Well, I'd say substantively it was
17 me and two economists; and then probably the
18 review included, you know, many, many others,
19 maybe 10 other people.

20 Q. Did Ben Barnes contribute to this
21 document?

22 A. He read it and gave recommendations
23 on it, yes.

24 Q. Do you recall what recommendations
25 he gave?

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2 A. Absolutely not.

3 Q. Do you recall if they were minimal
4 or extensive?

5 A. I don't recall.

6 And I will say this: His
7 recommendations would be how this would be viewed
8 from a political -- politician's perspective,
9 because that was really his expertise in this
10 area.

11 But he clearly read it many,
12 many times, talked about it many times, and I'm
13 sure added value as it was written. I mean, this
14 was kind of the product of, as I said, 10 people.

15 Q. Do you know what was done with this
16 white paper, ultimately?

17 A. No -- well, I know that people
18 distributed it who, you know, were working on
19 this issue.

20 I mean, I had given it to people
21 that I knew. I just said, You know, this is a --
22 a very good policy document; you know, you'd be
23 surprised to find that the Caribbean is more
24 important than you probably ever thought it was.

25 Q. Do you recall who you gave this to?

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2 A. I -- I -- I don't rem- -- I gave it
3 to a number of people. I mean, again, it was not
4 a -- the document advocating any kind of change
5 for tax law, or anything like that. It was just
6 pointing out.

7 I'm just -- you know, friends of
8 mine that had worked in the public policy arena,
9 I would give it to them. I mean, it's something
10 I was proud of that we had written. I think it's
11 a very, very good document.

12 Q. And what's the ultimate goal of this
13 document?

14 A. It's to change the impression of the
15 Caribbean as being important to the
16 United States.

17 Q. And to that end, how do you deploy
18 this document to achieve that result?

19 A. I -- I think you -- you end up
20 giving it to opinion leaders, such as newspapers,
21 periodicals. You have people -- if you were
22 today -- you didn't then -- who write blogs on
23 this subject. You give it to elected officials.
24 You give it to staffers.

25 You -- it's -- you know, you

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2 disseminate it any way you can disseminate any
3 type of information today.

4 Q. Is the purpose of this document, or
5 the ultimate goal of this document, to benefit
6 the Caribbean or Allen Stanford and his
7 companies?

8 A. I think the purpose is -- is to
9 benefit the Caribbean and Allen Stanford. I
10 mean, I'm not going to argue it was not written
11 with his legislative goals in mind. But I think
12 the ultimate beneficiary would have been the
13 Caribbean.

14 Again --

15 Q. Were Allen Stanford's legislative
16 goals in this document?

17 A. No. It doesn't talk anything about
18 tax legislation -- or a tax recommendation, I
19 should say.

20 I mean, I think, as I recall --
21 again, it's been 10 years -- you know, you can
22 see on the summary page it talks about, you know,
23 the proximity of the Caribbean; it talks about,
24 you know, the historical relevance of it; it
25 talks about the economics; it talks about

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2 unfriendly governments are trying to exploit it.

3 I mean, the Chinese were trying to

4 exploit it. Chavez was trying to exploit it.

5 And if we, in fact, want to promote democracy in

6 this part of the world, it's important for the

7 economic activity. It's no different than how

8 you try to eradicate poverty in America: education

9 and jobs.

10 Q. How did promoting economic activity

11 in the Caribbean tie into Allen Stanford's

12 existing operations in the Caribbean?

13 A. Well, as I said, he was -- he --

14 according to Ben, he was, in fact, considering

15 developing a resort area that would bring a lot

16 of people to that island who would spend a lot of

17 money.

18 I mean, I think, according to Ben,

19 this was going to be -- you know, people would

20 spend \$25 million on a home there and they would

21 come there year-round because of the climate, and

22 they would spend a lot of money, and it would

23 create a lot of jobs. And as it was narrowed to,

24 in fact, benefit the USVI, I think that macro

25 argument could be translated to the USVI.

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2 But the decision to -- to narrow the
3 legislative, at least, objective was really
4 fostered by the political realities. And nobody
5 was better to, in fact, identify and articulate
6 those political realities than Ben Barnes and,
7 arguably, the tax people and the people who have
8 worked in kind of public policy for years.

9 Q. Did you elicit, as part of your
10 creation of this document, the input of Caribbean
11 Governments or Caribbean Government officials?

12 A. No. We used -- we used economic
13 data that had been produced by those countries,
14 as you can see in the back; but, no, there was no
15 discussion with those countries.

16 Q. Okay.

17 MR. ABRAHAM: Let's mark this as
18 Delk -- what are we up to? -- 5.

19 - - -

20 (Whereupon, an e-mail was marked,
21 for identification purposes, as
22 Delk Exhibit Number 5.)

23 - - -

24 (Whereupon, the witness reviews the
25 material provided.)

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2 BY MR. ABRAHAM:

3 Q. So I've placed before you what we've
4 marked as Exhibit Delk 5. This is an e-mail from
5 Ben Barnes to Allen Stanford and Yolanda Suarez,
6 dated January 27th, 2006. The subject is, Public
7 Policy Issues Impacting Stanford.

8 Attached is a Word document. And
9 the text of the e-mail reads, Allen/Yolanda,
10 Attached is a document prepared by Mitch Delk
11 concerning public policy issues of interest to
12 Stanford. It includes a review of 2005 and a,
13 quote, game plan, end quote, for 2006.

14 This is exactly where I think we are
15 in regards to legislation.

16 Regards, Ben.

17 Does the document -- is the document
18 attached to this e-mail familiar to you?

19 A. Yes. I mean, I haven't seen it in
20 10 years, but, yes.

21 Q. Did you draft this document?

22 A. I did.

23 Q. And what is this document?

24 A. Well, basically, it was at the end
25 of the year, Ben got the team together and kind

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2 of discussed where we are and, you know, where we
3 need to go for next year.

4 And based on that, I kind of
5 memorialized the conversation, as best I could,
6 in this document --

7 Q. So this is --

8 A. -- for him.

9 Q. -- this is the result of a
10 conversation with -- with the broader team?

11 A. Yeah. I mean --

12 Q. Who was on that team?

13 A. I -- I don't recall.

14 I don't even recall the meeting.
15 But, I mean, that's kind of what it was. I mean,
16 we talked about -- I mean, Barnes managed this
17 very efficiently and effectively.

18 I mean, he had meetings; wanted to
19 know what was going on; what he needed to do,
20 what he needed to be doing; and this was kind of
21 the -- an end-of-the-year kind of review or a
22 preview of the following year.

23 Q. Did you prepare this document
24 specifically for Ben -- for Allen Stanford and
25 Yolanda Suarez?

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2 A. I prepared it for Ben. And, again,
3 it was a meeting -- I think, as I recall, it was
4 a reflection of a meeting that we had had with
5 Ben, that he had called to talk about what had
6 happened and what will happen.

7 I didn't know who he would share it
8 with, whether he would use it as his own
9 guidepost going forward or what he would do with
10 it.

11 Q. Do you know if Ben Barnes edited
12 this document? Do you have any recollection of
13 that?

14 A. I'm -- I'm sure he probably did. I
15 mean, again, Ben was actively involved in all
16 aspects of trying to manage this project.

17 It's got his name on the e-mail. So
18 I'm assuming, you know, you can make the
19 assumption he was accurate -- intimately involved
20 in it.

21 Q. What do you mean by "intimately
22 involved"? Why are you --

23 A. Well --

24 Q. -- deducing that?

25 A. -- well, as I said, it emanates from

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2 a meeting that we had at the end of the year
3 talking about what we accomplished and what he
4 needed to accomplish going forward.

5 And, you know, he was -- this was a
6 big client, at least my impression, for
7 Ben Barnes. And so he was trying to communicate,
8 I assume, with the client in a way that showed
9 that he was on top of the issues.

10 Q. Why did you prepare this document
11 and not Ben Barnes?

12 A. You have to ask Ben Barnes that.

13 I mean, I was helping Ben Barnes
14 kind of manage this organization -- opportunity.
15 I mean, that's why Ben brought me in, to do these
16 kind of things.

17 Q. So your job was to manage the
18 opportunity?

19 A. No. My job was to do whatever Ben
20 needed me to do and wherever my expertise fell to
21 further the objectives of the -- the team.

22 Q. Do you believe your role was to
23 manage the opportunity?

24 A. No. I think that was Ben's role.
25 I was a pawn in the chess match.

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2 Q. And we've just seen that you've
3 created a white paper with respect to advancing
4 the tax issue that you were advising Ben Barnes
5 in respect of.

6 What ultimately happened to this tax
7 issue?

8 A. It -- it did not get passed.

9 Q. And if you could describe to me the
10 stages of -- of what happened following the
11 drafting of this white paper.

12 What was -- what was the step that
13 occurred after that in terms of advancing this
14 issue?

15 A. Well, again, that paper was to tie
16 up -- I would argue, create a favorable
17 environment for the Caribbean generally.

18 And the goal of that was for people
19 to say, This is -- this region is important to
20 us, and we need to, in fact, do all we can, in
21 fact, to make it economically stable and viable.

22 And one part of that would be,
23 arguably, what could we do from a tax
24 perspective, in fact, to increase the --
25 include -- increase the economic activity in that

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2 region.

3 And so a natural extension of that
4 conclusion would be looking at this USVI tax law
5 benefit.

6 And, in fact, if you could, in fact,
7 either expand that in some form or fashion, what
8 would be the economic, not only advantage for the
9 Caribbean generally, but more specifically, the
10 USVI.

11 As this whole process continued --
12 and this was, like, a four- or five-year process,
13 it was concluded, as I stated earlier, that
14 changing the residency requirement was
15 politically problematic, changing the sourcing
16 rules was possibly doable; but that was the
17 extent of the change that was, in fact, the goal
18 of the project as it kind of -- the iterations
19 and kind of the unfolding of it.

20 Q. Did you -- did your group -- did you
21 or your group proceed to lobby for a change in
22 this rule?

23 A. I did not.

24 Q. Do you know if anyone else did
25 within the group?

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2 A. I -- I -- my assumption is, is that
3 there were discussions about the Caribbean with
4 Members of Congress; there were discussions about
5 the law; there were discussions about how the
6 law, in fact, could and probably be done. I
7 think others would have to testify to that.

8 I did not lobby on it. But I know
9 that we had hundreds of meetings -- and that
10 might be incorrect, "hundreds" -- but we had
11 many, many, many meetings to talk about the
12 political potential for making these changes.
13 And, in fact, that changed inside -- the entire
14 approach.

15 Ultimately, by virtue of Ben
16 concluding and communicating with Allen Stanford
17 that he could not get this tax advantage unless
18 he moved to the USVI himself and moved his
19 company in operations, he did that.

20 And so then it came down to, in
21 fact, could the sourcing rules be enlarged.

22 And there was never an opportunity,
23 a tax bill, that went through that that could
24 have been done.

25 There was never a bill introduced

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2 that would specifically do that. And my
3 assumption is, is that Barnes felt like that this
4 is something that was -- did not need to be
5 introduced in a bill that could be done in a --
6 in a -- a more narrow legislative kind of
7 opportunity.

8 And who he talked with, I couldn't
9 opine to and give you an opinion. But I'm sure
10 he did. He was very close with the chairman of
11 the tax writing committee.

12 He -- as I said earlier, as these
13 discussions continued, there was a lot of
14 interfacing with Winston & Strawn, who was the --
15 the representation for the USVI and their
16 lawyers, about what, in fact, was doable, and
17 that helped reach the conclusion that the
18 residency requirement could not be modified and
19 that the sourcing rules possibly could.

20 Q. But, ultimately, it was concluded
21 that the sourcing rules could not be modified; is
22 that correct?

23 A. No. Ultimately, it was decided that
24 the residency requirement could not be
25 eliminated, but the sourcing rules probably could

1 ROBERT MITCHELL DELK

2 be enlarged.

3 Q. And what efforts did you undertake
4 to enlarge the sourcing rules?

5 A. I took no effort to do it --

6 Q. What about --

7 A. -- other than --

8 Q. -- what about your group?

9 A. I -- I couldn't tell you that.

10 Q. So your role was simply to advise,
11 not to --

12 A. Advise, and to come up with a
13 strategy of trying to get this. And then, you
14 know, at that point in time, we've got experts
15 who are, you know, former tax writers who were
16 trying to help Barnes with a strategy at that
17 point in time.

18 Q. And what did you recommend
19 strategically to cause a change in the sourcing
20 role?

21 A. Strategically, I recommended that,
22 in fact, we can demonstrate that there would be
23 jobs created in the Caribbean if, in fact, this
24 logistical change by Stanford Financial occurred.
25 And then Barnes took that and, in fact, tried to,

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2 I guess, talk to people about changing the
3 sourcing rules.

4 Again, there was never a tax bill
5 that presented an opportunity for the change to
6 be done. And I guess maybe a year, two years
7 after Allen Stanford had moved his residency was
8 when there was the exposure to the Ponzi scheme,
9 and everything just kind of blew up at that point
10 in time.

11 Q. So, ultimately, it's your
12 understanding that Allen Stanford moved himself
13 and his operations to the USVI; is that correct?

14 A Yes.

15 And I -- I assume it's based on the
16 recommendation that Ben Barnes gave him.

17 Q. Do you believe that Allen Stanford
18 or Stanford Financial in any way benefited from
19 the advice that you provided or the advice that
20 your working group provided to him?

21 A. Yes. I think that he would have
22 never even got out of the -- he would have never
23 even had a proposal or an idea had the
24 Ben Barnes Group not been advising him on this
25 particular issue.

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2 As I said before, you know, there
3 are -- there were people who worked for 40 years
4 on preserving Glass-Steagall, people who worked
5 for 40 years to, in fact, eliminate it.

6 Did they add value during that
7 40 years? I think so. I mean, I don't think you
8 can look at the ultimate success of whether
9 you're adding value is did a piece of legislation
10 pass.

11 Had Allen Stanford not been a crook
12 and had, in fact, his institution not imploded
13 and they had, in fact, got this tax break, it
14 would have been tremendously beneficial to
15 Allen Stanford, but I believe it would have been
16 tremendously beneficial to the USVI.

17 I think, ultimately, that this was
18 an economic driver for the Caribbean. And I
19 sincerely believe that.

20 I can't speak to what he did. I
21 think he was horribly wrong. But that was
22 something I knew nothing about, had nothing to do
23 with.

24 Q. And did he move -- did -- did
25 Allen Stanford move himself and his operations to

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2 the USVI on Ben Barnes' recommendation?

3 A. That would be my assumption.

4 MR. MADRID: Object to the
5 assumption.

6 BY MR. ABRAHAM:

7 Q. And was there any, ever, legislation
8 passed, to the best of your knowledge, that
9 would -- that actually benefited Allen Stanford's
10 organization beyond what the existing statutes
11 required?

12 A. The -- the answer is no; but as I
13 just testified to, I don't think you can make
14 your ultimate judgment on whether there was value
15 added by whether there was a law passed.

16 I mean, you -- you -- this just did
17 not play out to its conclusion. But I think what
18 Ben did and what Ben's group did was to
19 demonstrate to Allen what could be done
20 politically.

21 I mean, he would have wasted his
22 time and millions of dollars, arguably, trying to
23 get the residency requirement changed and trying
24 to get the sourcing to include the entire
25 Caribbean.

1 ROBERT MITCHELL DELK

2 I think that -- that Ben gave him
3 some advice that saved he money and ultimately
4 created opportunities in the USVI that never
5 would have existed. And that was all based on,
6 really, the expertise that Ben Barnes and his
7 team uniquely provided.

8 Q. Why do you say "uniquely"?

9 A. I think the people that were
10 involved in that were very good at what they do.
11 They're very successful in Washington, and they,
12 in fact, approach their things very
13 professionally and don't engage in things that
14 otherwise wouldn't produce good public policy.

15 Q. Do you recall where the genesis of
16 the idea arose to move Stanford's operation to
17 USVI?

18 Was it -- did that arise with
19 Allen Stanford or Ben Barnes, to the best of your
20 knowledge?

21 A. I -- I don't know the answer to
22 that.

23 I do know the answer that -- I do
24 know that we, in fact, concluded, as a team, that
25 there was no way to change the residency

1 ROBERT MITCHELL DELK

2 requirements; that optically that was a mammoth
3 deal.

4 When you had, as I alluded to
5 earlier, car dealers who, in fact, were setting
6 up operations in the USVI and never living there,
7 the 183-day residency requirement became
8 absolutely a condition precedent to getting any
9 kind of tax benefit.

10 And I think it was based on the
11 recommendation that Ben gave him, from his
12 political analysis, that you could never change
13 that residency requirement, that he knew that if
14 he wanted to, in fact, ever effectuate a change
15 in the USVI tax laws, he, in fact, would have to
16 move himself and his residence and his business.

17 Q. Do you know if Allen Stanford
18 actually moved his residence to the USVI, or did
19 he just do what we discussed earlier, which was
20 stay on the tarmac for, you know, five minutes
21 before 12:00 and five minutes after 12:00?

22 A. No. He, in fact, moved his
23 residence -- let me say this: I know he had a
24 residence in the USVI. I don't know where he
25 lived and what he did, to be honest with you.

1 ROBERT MITCHELL DELK

2 It was not his intention, at least
3 based on what Ben reported to us, for him to do
4 anything otherwise than move his residency, as
5 well as his business operations.

6 Q. Do you have an understanding if
7 Allen Stanford or Stanford Financial actually
8 realized tax benefits as a result of that move?

9 A. No -- no, they did not, because that
10 was only one part of the test.

11 Now, there was some -- there was
12 some obvious income, I assume, based on the
13 activity in the USVI, and so they probably did.

14 I don't know what their tax return
15 looked like. But, again, they would benefit from
16 that, but they were needing a clarification -- at
17 least that's what the tax experts thought -- to,
18 in fact, broaden the definition of "source" to
19 include, you know, income that was broader than
20 the definition allowed.

21 Q. So absent a change of the sourcing
22 rule, there was no way Allen Stanford and his
23 companies could have or would --

24 A. No --

25 Q. -- have benefited?

1 ROBERT MITCHELL DELK

2 A. -- what I said was it -- to the
3 maximum -- the maximum benefit would have
4 occurred if they, in fact, had, in fact, got the
5 sourcing rules enlarged.

6 There had to be some benefit,
7 because there was some activity emanating from
8 the USVI that benefited on that lower tax rate
9 but not every dollar generated by the whole
10 financial empire.

11 Q. Do you know if Allen -- if the move
12 caused or allowed Allen Stanford, personally, to
13 benefit on his personal taxes?

14 A. I have no idea. Again, I don't know
15 what the structure was of that entity.

16 MR. ABRAHAM: Let's mark that as
17 Delk 6.

18 - - -
19 (Whereupon, an e-mail was marked,
20 for identification purposes, as
21 Delk Exhibit Number 6.)

22 - - -

23 BY MR. ABRAHAM:

24 Q. So I've placed before you what's
25 been marked Exhibit Delk 6, which is an e-mail

1 ROBERT MITCHELL DELK

2 from you to Yolanda Suarez and Ben Barnes, dated
3 September 12th, 2006. Subject is, Payment from
4 Stanford.

5 And in this e-mail, you write,
6 Yolanda, I received notice from my bank that
7 \$150,000 had been wired to my account from
8 Stanford.

9 Does this e-mail look familiar to
10 you?

11 A. It does. I haven't seen it in a
12 long time.

13 Q. The e-mail indicates that you
14 received a wire directly from Stanford.

15 A. Right.

16 Q. Do you -- do you recall receiving
17 wires directly from Stanford?

18 A. I only received two from them, as I
19 stated earlier.

20 Q. Well, you stated earlier, if I
21 understand this correctly, that you received two
22 wires from him -- or from -- from
23 Stanford Financial in 2004, when you were
24 retained directly --

25 A. Well, this is --

1 ROBERT MITCHELL DELK

2 Q. -- by Al- -- by --

3 A. -- this --

4 Q. -- Stanford Financial --

5 A. -- reflects --

6 Q. -- this appears to --

7 A. -- my dates were probably off, but
8 this is -- this reflects what -- the work I had
9 done for her. And there were only two payments.
10 There's one voucher dated August 17th and, I
11 guess, this one dated September 12th.

12 And after I sent this document to
13 her, that's what spurred her to call me to say
14 that the relationship no longer existed, that
15 they were relying on Ben to do the work.

16 Q. So this document relates to the work
17 you did prior to your involvement with
18 Ben Barnes?

19 A. Right.

20 Q. You testified earlier, if I recall,
21 that your involvement -- your direct involvement
22 with Stanford Financial was in 2004. And, yet,
23 this e-mail is dated 2006.

24 A. That's -- well, again, the dates are
25 kind of, you know, mushy in my mind. I haven't

1 ROBERT MITCHELL DELK

2 seen any of this stuff. I didn't have any
3 records of this. But as you can see, though,
4 there was a payment -- and I continued to bill
5 them, and they never paid me.

6 So that's what spurred this thing,
7 and, you know, I was just pointing out to her
8 that I was doing a lot of work on this issue.

9 Q. So this relates to your previous
10 engagement, your previous direct engagement, not
11 your subsequent engagement with Ben Barnes?

12 A. No, it relates to both.

13 I mean, clearly what I was brought
14 in to do with Ben Barnes was the tax bill, and
15 these two are kind of mixed together.

16 What I was doing, I assume -- now, I
17 can't recall my state of mind here -- I was
18 trying to show that I was doing the work on the
19 tax issue as a way of spurring them to pay me for
20 what they owed me for previously --

21 Q. I see --

22 A. -- and it didn't work.

23 Q. -- I see.

24 And how much did they owe you
25 previously, to the best of your recollection?

1 ROBERT MITCHELL DELK

2 A. Well, when -- they owed me about
3 \$400,000 that they never paid.

4 Q. That's a lot.

5 This -- attached to this document --
6 attached to this e-mail is a document -- is a
7 statement, and the statement is from you,
8 Mitchell Delk, but it's from an entity called The
9 Public Policy and Advocacy Group.

10 A. Yeah, that's what I said earlier,
11 that I created -- you know, I called myself The
12 Public Policy and Advocacy Group.

13 Q. So was that a d/b/a, but that wasn't
14 an actual --

15 A. No --

16 Q. -- entity organized under the
17 laws --

18 A. -- no --

19 Q. -- of any specific state?

20 A. -- no.

21 Q. Okay. And this statement is a
22 listing of -- of what appears to be invoices,
23 relates to your work prior to your engagement for
24 Ben Barnes or -- or for Ben Barnes?

25 A. Before Ben Barnes. But I continued

1 ROBERT MITCHELL DELK
2 to bill them because they never ceased the
3 relationship, and I was, you know, operating
4 under the assumption that I was continuing to do
5 work for Stanford as well as doing work for Ben,
6 but I never got paid for the Stanford people.

7 MR. ABRAHAM: Let's mark this as
8 Delk 7.

9 - - -

10 (Whereupon, an e-mail was marked,
11 for identification purposes, as
12 Delk Exhibit Number 7.)

13 - - -

14 BY MR. ABRAHAM:

15 Q. I've placed before you what's been
16 marked Exhibit Delk 7, which is an e-mail from
17 you to Yolanda Suarez, dated February 20th, 2007.

18 Does this e-mail look familiar to
19 you?

20 A. Yes.

21 Q. In this e-mail, you write, Yolanda,
22 if you have the time, please call me regarding
23 the indictments from Venezuela.

24 Do you recall what this e-mail was
25 about?

1 ROBERT MITCHELL DELK

2 A. Yeah. Ben asked me to call her
3 because there was a -- somebody at -- that worked
4 at a brokerage firm or some entity in Venezuela
5 that was indicted, and he wanted to find out what
6 was going on with it so he could deal with it
7 from a public relations perspective.

8 Q. So he was involved, to your
9 understanding, in the public relations --

10 A. Again --

11 Q. -- response to --

12 A -- it was --

13 Q -- the indictments?

14 A. -- I don't know how -- I don't even
15 know how he knew or how -- but I knew because Ben
16 told me there was some indictment. He wanted me
17 to discover what was going on there because he
18 thought he could get relations -- somebody would
19 call him from the Hill about it.

20 Q. You testified earlier that you were
21 retained by Ben Barnes to work on tax issues.

22 Did you believe this was beyond the
23 scope of your engagement with Ben Barnes?

24 A. No.

25 Q. Why is that?

1 ROBERT MITCHELL DELK

2 A. Well, I mean, it related to the
3 financial services company, Stanford, but
4 specifically what Ben asked me to do, I mean,
5 this was an ancillary issue, but it would impact
6 the potential tax legislation that he was
7 promoting for the company.

8 Q. Did you do any subsequent work
9 regarding responding to the indictments from
10 Venezuela?

11 A. No.

12 Q. Why is that?

13 A. Never got any information from it
14 that I recall, and I recall it was -- I don't
15 know what -- the individual had stole money from
16 Stanford, I believe, as it was. I don't recall.
17 Again, it's been, you know,
18 eight years. But Ben just wanted me to know if,
19 in fact, that would create a problem for him on
20 the Hill representing Stanford.

21 Q. So you were advising Ben Barnes
22 personally on this matter?

23 A. Yeah. I mean, as it relates to this
24 project, I mean, the Stanford project, it was,
25 you know -- if somebody, for example, got

1 ROBERT MITCHELL DELK
2 indicted for a company that he was representing
3 or you were representing or I was representing,
4 you would want to know the details of that,
5 because one of your friends might invest- --
6 investigate about it or ask about it and might be
7 embarrassed by the -- the answer to it.

8 Q. So Ben Barnes was concerned about
9 his own reputation, and that's why he asked you
10 to look into the --

11 A. I think that -- I think that's --
12 THE COURT REPORTER: Wait, wait,
13 wait, wait, wait.

14 MR. MADRID: Objection.

15 MR. ABRAHAM: Let me just finish my
16 question before you object.

17 MR. MADRID: You elicited an answer
18 before you were finished. So . . .

19 THE WITNESS: No, I -- I don't know
20 that -- I think that is really --

21 THE COURT REPORTER: Wait, wait,
22 wait.

23 You objected, but there was all
24 this.

25 MR. MADRID: Okay.

1 ROBERT MITCHELL DELK

2 Objection: form.

3 Go ahead.

4 THE WITNESS: To be candid, I think
5 that's a, you know -- a -- an illogical
6 leap here.

7 I mean, I think what Ben was
8 concerned about is, he was trying to get
9 legislation passed for them.

10 If you're, in fact, lobbying on
11 behalf of a client, then it has some
12 international incident; like a employee
13 being indicted for stealing money, you
14 want to know about it because you need to
15 know -- you don't want to expose your
16 friends that they're trying to help you on
17 an issue or trying to help on a public
18 policy issue that could have, you know,
19 some negative implications.

20 I don't think it was much about his
21 reputation, as he was trying to, in fact,
22 get the legislation passed, or at least
23 develop a strategy to get it passed. And
24 this could derail or could, in fact,
25 distract from his abilities.

1 ROBERT MITCHELL DELK

2 BY MR. ABRAHAM:

3 Q. So this was framed to you as a
4 question of how do these indictments in
5 Venezuela --

6 A. It was one individual, as I recall,
7 and the question was, what does this -- what does
8 this mean? What did the individual do? Does
9 this implicate the company in any way?

10 Q. And did Ben Barnes ever express to
11 you a concern about how this would affect his own
12 reputation?

13 A. No, I don't recall that.

14 Again, I think that's a -- you know,
15 you're -- you're jumping to a illogical
16 conclusion.

17 Q. Well, I'm just asking you a
18 question.

19 A. No.

20 And what I'm telling you is --
21 again, this is my opinion -- I don't know what
22 Ben Barnes was thinking -- I'm thinking he was
23 thinking that if this, in fact, implicated the
24 company in any way, it would make it much more
25 difficult to get legislation passed that, in

1 ROBERT MITCHELL DELK

2 fact, they were advocating on behalf of
3 Standard -- Stanford.

4 Q. So this was not work, in your view,
5 that was done for Ben Barnes, personally?

6 A. This was done for -- at Ben Barnes'
7 request, as I recall, and it was to, in fact --
8 yes, it was to benefit Ben Barnes. I mean, he --
9 it was information Ben Barnes needed to have.

10 MR. IGIEL: I'm going to object.

11 I know that you made the statement
12 earlier that when referring to Ben Barnes,
13 Ben Barnes, Ben Barnes Group is the same
14 thing, and now I'm getting a little
15 confused when we're saying, personally
16 Ben Barnes.

17 Are we still talk -- are Ben Barnes
18 and Ben Barnes Group still the same thing
19 within the scope of your questions?

20 MR. MADRID: Only for purposes of
21 this deposition --

22 MR. IGIEL: Right --

23 MR. MADRID: -- as I understand.

24 MR. IGIEL: I understand that.

25 But I mean, with respect to these

1 ROBERT MITCHELL DELK

2 specific questions, are you asking about
3 the Ben Barnes Group, or are you asking
4 about Ben Barnes, personally and
5 individually?

6 BY MR. ABRAHAM:

7 Q. I'm asking you about both.

8 A. Again, I'll answer the question the
9 same way, because it doesn't really matter, to
10 me.

11 I was doing work for
12 Ben Barnes Group. And Ben Barnes, as my role in
13 this project, I -- you probably could have asked
14 anyone the same question. I understand that
15 somebody who worked at Stanford was indicted in
16 Venezuela.

17 What does that mean? What happened?
18 Does it have any implication for the company?
19 Does it implicate the company in any way, because
20 I assume --

21 Q. When you say "the company," what do
22 you mean?

23 A. The Stanford company.

24 I mean, that's -- my assumption is,
25 you know, what -- what happens if somebody is

1 ROBERT MITCHELL DELK
2 indicted who worked for a company. Because the
3 guy's name, you know, in the press, as I recall,
4 was Joe Blow was indicted, a Stanford employee,
5 for embezzlement. And I think what Ben was
6 trying to determine was, did, in fact, the
7 Stanford company, in fact, do anything wrong.
8 And I think the answer was, no, in this
9 particular case.

10 Q. Did you believe it was part of your
11 engagement to advise Ben Barnes, himself, and his
12 entity about a reputational issue stemming from
13 his work for Stanford Financial?

14 MR. MADRID: Objection to form.

15 THE WITNESS: I don't -- that --
16 that -- no, that was never anything.

17 What I was helping him on was
18 legislation that Stanford was ending up
19 passing. This had nothing to do with
20 Ben's reputation, per se.

21 I mean it had to do -- if it had
22 anything to do with the reputation of the
23 company, it could have undermined Ben's
24 efforts to get legislation passed --
25

1 ROBERT MITCHELL DELK

2 BY MR. ABRAHAM:

3 Q. Okay.

4 A. -- I don't think Ben was concerned
5 about his reputation.

6 Again, I think he was trying to get
7 the legislation in the best position that it
8 could be in to pass, and that if this was somehow
9 negative on the company, that would be harmful.

10 MR. ABRAHAM: This is Delk Number 8.

11 - - -

12 (Whereupon, an e-mail was marked,
13 for identification purposes, as
14 Delk Exhibit Number 8.)

15 - - -

16 BY MR. ABRAHAM:

17 Q. Now I've placed before you what's
18 been marked Exhibit Delk 8, which is an e-mail
19 dated February 19th, 2009 from you to
20 Kent Caperton and Susan Martin or Ben Barnes.

21 Does this e-mail look familiar to
22 you?

23 A. It -- yeah, it does now.

24 Q. And what is this e-mail?

25 A. It looks like some talking points

1 ROBERT MITCHELL DELK

2 that Ben had asked me to put together that would
3 give him something to say if he was approached by
4 the press.

5 I assume --

6 Q. About what?

7 A. I'm not sure the time frame here, if
8 this is when it was reported that Stanford was
9 being investigated or whether Stanford had been
10 indicted or -- or what it was. I --

11 Q. And attached to this document, it
12 appears that there are talking points.

13 A. Yeah.

14 Q. And did you draft these talking
15 points?

16 A. I assume I did.

17 Q. And who did you draft these talking
18 points for?

19 A. For Ben.

20 Q. Ben Barnes or Ben Barnes Group,
21 L.P.?

22 A. They refer -- the Ben Barnes Group
23 for Ben Barnes, how -- I mean, you're trying to
24 draw a distinction between working for Ben and
25 working for the Ben Barnes Group.

1 ROBERT MITCHELL DELK

2 In my mind --

3 Q. I'm just responding to what your
4 counsel objected to --

5 A No, no --

6 Q -- so I just --

7 A -- I'm just --

8 Q -- want to be clear.

9 A. -- telling you, in my mind, it was
10 the same thing. I was working for the
11 Ben Barnes Group. That's who paid me.

12 Q. So when you say "Ben Barnes," it's
13 the same thing, Ben Barnes --

14 A. That's fine.

15 Q. -- and Ben Barnes Group?

16 Is that fine?

17 A. Sure.

18 Q. Okay.

19 Now, here, you are drafting talking
20 points for Ben Barnes.

21 Was this part of your engagement
22 with Ben Barnes, to draft talking points for
23 Ben Barnes about --

24 A. No.

25 Q. -- how to respond --

1 ROBERT MITCHELL DELK

2 THE COURT REPORTER: Wait, wait,
3 wait.

4 BY MR. ABRAHAM:

5 Q. -- to press inquiries following the
6 exposure of the Stanford fraud --

7 THE COURT REPORTER: Can you repeat
8 that again?

9 Talking points for Ben Barnes about
10 how to respond . . .

11 BY MR. ABRAHAM:

12 Q. -- how to respond to media inquiries
13 following the exposure of the Stanford fraud?

14 Was that part of your engagement
15 with Ben Barnes?

16 A. My engagement was to make sure Ben
17 was prepared to execute a strategy to, in fact,
18 effectuate legislation that would help Ben Barnes
19 Group and -- you know, and anything related to
20 that.

21 And the fact that, at some point in
22 time, unbeknownst to anyone, including
23 Ben Barnes, it was discovered that Allen Stanford
24 was a fraud. And that certainly is embarrassing
25 to anyone who was associated with it.

1 ROBERT MITCHELL DELK

2 And so I was trying to give Barnes,
3 at least, some points based on my many, many
4 meetings with him about this particular client,
5 how to respond.

6 Whether he was going to use them, I
7 have no objective -- I mean, I have no answer to
8 that or no idea whether he used them.

9 Q. So this work product that you
10 created and forwarded to Ben Barnes was for the
11 benefit of Ben Barnes, not for
12 Stanford Financial?

13 A. Well, again, I think the press looks
14 at -- the press wouldn't know the difference
15 between Ben Barnes Group and Ben Barnes at --
16 whatsoever. And so I think, you know, Ben Barnes
17 being the Ben Barnes Group, somebody would have
18 to respond having their name associated with
19 Stanford.

20 Q. And did you believe that this work
21 product was part of your engagement?

22 Were you paid for this work product?

23 A. I was paid to help Ben manage the
24 Stanford relationship and to achieve a
25 legislative outcome. This was a byproduct of

1 ROBERT MITCHELL DELK

2 that engagement by the Ben Barnes Group.

3 This was not necessary -- I mean, I
4 could have said, No, I don't want to do this. I
5 was -- I just had a lot of knowledge about the
6 issues and, therefore, created the document.

7 As I recall, I mean, I -- there's
8 nothing nefarious about this.

9 And, again, I was, you know -- it's
10 a byproduct of the engagement to help him with
11 this Stan- -- the relationship with Stanford and
12 their legislative objectives.

13 Q. This document was -- was -- was for
14 the benefit of Stanford's legislative objectives?

15 A. No, no, no, no. I said it was a
16 byproduct of that -- that relationship with the
17 Ben Barnes Group.

18 I mean, it's a natural thing if
19 you're working on a particular issue and
20 something with -- regarding that client blows up.
21 As a member of that team who supported
22 Ben Barnes, we're just trying to figure out a
23 best way that Barnes could explain, you know,
24 that he knew nothing about this -- this Ponzi
25 scheme.

1 ROBERT MITCHELL DELK

2 And I don't think he did.

3 Q. Did you believe that this work was
4 covered under your retention, your -- your
5 engagement fees that were paid for your work for
6 Ben Barnes, this document?

7 A. Yeah, I assume -- and, again, it's a
8 byproduct of the -- the entire responsibilities.
9 I haven't read the document. But . . .

10 Q. Well, take a moment to review it.
11 (Whereupon, the witness reviews the
12 material provided.)

13 THE WITNESS: Now -- now I can tell
14 you what this is.

15 This was -- when it was in the
16 press -- and, again, I don't recall
17 whether Allen Stanford had been indicted
18 or whether, in fact, it was that he was
19 being investigated -- we sat down as a
20 team, and Barnes said, Well, what do we do
21 about this? How do we respond to the
22 press?

23 We've got to respond or be prepared
24 to, because we've, in fact -- I have been,
25 in fact, the lead person on a legislative

1 ROBERT MITCHELL DELK

2 effort that he was trying to promote.

3 And I said, Well, I think the best
4 way to do it is to say you're shocked,
5 appalled and sad, and go into details
6 about what you did and you didn't do.

7 What this is to demonstrate is, in
8 fact, that nobody in here working for
9 Barnes or Barnes, himself, in fact, was
10 involved in his business decision that
11 made him a Ponzi scheme [verbatim].

12 This was about a legislative effort
13 and what was necessary to achieve the
14 legislation.

15 BY MR. ABRAHAM:

16 Q. And do you believe -- did you
17 believe at the time that part of your job being
18 retained by Ben Barnes was to advise
19 Ben Barnes -- and by that, I mean Ben Barnes,
20 personally, and his entity -- on reputational
21 issues?

22 A. Again, I think this is a byproduct
23 of -- of staffing and working with the
24 Ben Barnes Group on this issue specifically.

25 Nobody knew that he was a crook, and

1 ROBERT MITCHELL DELK

2 nobody knew this whole thing was going to
3 implode. And this is a response of it. I mean,
4 I think it's a natural response.

5 I think if you look at what Barnes'
6 roles were, what my roles were working
7 for Barnes, you'll see that we had nothing to do
8 with his business. I mean, the only thing we had
9 to do with his business was making
10 recommendations on what his business had to look
11 like to, in fact, achieve those results to get
12 the tax advantages in the USVI.

13 Q. But the purpose -- correct me if I'm
14 wrong, but the purpose of this document is to
15 give Ben Barnes advice about how to protect his
16 reputation --

17 A. No --

18 Q. -- not to give Ben Barnes --

19 A. -- no, that was not --

20 THE COURT REPORTER: Wait, wait,
21 wait, wait.

22 BY MR. ABRAHAM:

23 Q. Excuse me. Could I just finish my
24 question?

25 -- not to give Ben Barnes advice on

1 ROBERT MITCHELL DELK

2 how to help Allen Stanford --

3 MR. MADRID: Objection --

4 BY MR. ABRAHAM:

5 Q. -- is that correct?

6 MR. MADRID: -- objection: form.

7 MR. IGIEL: Same objection.

8 THE WITNESS: The purpose of this
9 document is to respond to the press when a
10 client Ben Barnes had represented finds
11 himself in a hell of a legal mess.

12 Again, clearly, at that point in
13 time, you're not advancing anything for
14 Allen Stanford; but, nonetheless, this is
15 a byproduct of representing
16 Allen Stanford -- Ben representing
17 Allen Stanford, and we working with Ben
18 trying to effectuate this legislation.

19 I don't see that -- it's not like
20 you flip a switch and then the next day,
21 you know, you've got a new engagement or a
22 new activity. Again, I think this is the
23 byproduct.

24 If you've worked on this issue for
25 three or four years and Allen Stanford is

1 ROBERT MITCHELL DELK

2 indicted or rumored to be indicted, you
3 have to have some response.

4 I mean, the team has to say, you
5 know, What the hell do we do; I mean, what
6 did we do; could we possibly be, you know,
7 in fact -- our reputation's hurt; I mean,
8 do we -- I mean, you know, everything we
9 did was completely legal and related to
10 one issue, and that was regarding, you
11 know, the tax issues.

12 Now, Barnes, apparently, did other
13 things. I mean, I picked -- I wrote this
14 down, again, almost verbatim to what
15 Ben Barnes had done for -- for Allen
16 according to Ben.

17 I can't validate this where he
18 provided counsel and strategy on the
19 Antigua cricket tournament. But he said,
20 This is what I did.

21 I had nothing to do with his
22 business that lead to him being indicted
23 on a Ponzi scheme.

24 BY MR. ABRAHAM:

25 Q. Did you ever provide advice to

1 ROBERT MITCHELL DELK

2 Stanford Financial on reputational issues, how to
3 answer press inquiries?

4 A. I -- I provided some to Ben on what
5 they should do and what Stanford could
6 potentially do when there was rumors about
7 he -- you know, that they were, in fact, being
8 investigated.

9 This is after he had been indicted,
10 as I recall.

11 Q. And who was the ultimate recipient
12 of these talking points, Stanford Financial or
13 Ben Barnes?

14 A. I think this one was Ben Barnes. He
15 was speaking for the team that -- that
16 represented Stanford.

17 MR. ABRAHAM: This is Delk 9.

18 - - -

19 (Whereupon, an e-mail string was
20 marked, for identification
21 purposes, as Delk Exhibit
22 Number 9.)

23 - - -

24 BY MR. ABRAHAM:

25 Q. I've placed before you what's been

1 ROBERT MITCHELL DELK

2 marked Exhibit Delk 9. This is a string of
3 e-mails between you and Kent Caperton.

4 Do these e-mails look familiar to
5 you?

6 A. Yeah. I mean, I haven't seen them
7 in, obviously, a number of years, but . . .

8 Q. And on Page 2, there's an e-mail
9 from you to Kent Caperton, August 10th, 2009 at
10 10:46 a.m., where you write, This is ridiculous.
11 Under this lawyer's theory, I assume all
12 employees have to give back their salaries. I've
13 several boxes of documents that I produced for
14 Stanford. Do you want me to bring them to the
15 office? They are evidence that we were doing
16 legitimate work for the company.

17 There's a reference to "boxes of
18 documents."

19 Do you -- do you recall that?

20 A. I -- I don't. And I -- I gave
21 everything I had. I didn't have any boxes -- I
22 had a box of this (indicating) document, which is
23 about the only thing I had.

24 Q. And then Kent responds to you by
25 saying, No; but I think we need to start

1 ROBERT MITCHELL DELK

2 documenting what Ben and all of us did to earn
3 the fee.

4 Was there a belief at the time that
5 Ben Barnes needed to begin documenting what he
6 did to earn his fee?

7 A. Again, I -- you know, when -- when
8 somebody's accused of a Ponzi scheme, you don't
9 know what's going to happen. And I think that
10 everybody was concerned that we had done
11 legitimate work for him, had nothing to do with
12 his business that, in fact, evolved into a Ponzi
13 scheme and we could document, in fact, all the
14 work we had done on the tax issue starting with
15 the white paper.

16 Q. And did you believe it was your role
17 to be part of a group of individuals documenting
18 what Ben did to earn his fee?

19 A. As it related to the tax issue? I
20 certainly do. I mean, I was intimately involved
21 in the strategies, from A to Z, on the tax issue.

22 Q. And is documenting what Ben did to
23 earn his fee something that you believe you were
24 paid for by Ben Barnes and his organization?

25 A. I don't know if I was paid for. I

1 ROBERT MITCHELL DELK
2 think it's something I could easily document
3 because I had been in hundreds of meetings where
4 Ben had been involved in where the white paper
5 was discussed, where the strategy was outlined,
6 where Ben talked about the implementation.

7 Q. And is documenting the work that
8 Ben Barnes did, was -- is that part of your
9 engagement for Ben Barnes?

10 A. Yes.

11 You didn't bring this up, but if you
12 look at the last document, it was a document in
13 value -- regarding a company called FastShip who
14 had approached Ben to help them on some
15 legislative issues, and Ben asked me to sit in on
16 the meetings and help him.

17 And I drafted this letter. And
18 this, again, shows that I did work for Ben Barnes
19 and not for the client FastShip, but, you know, I
20 would have been paid by Ben Barnes Group.

21 Q. This is work for Ben Barnes --

22 A. Right.

23 Q. -- not for the client?

24 A. Right.

25 Q. And for the benefit of Ben Barnes,

1 ROBERT MITCHELL DELK

2 not the client?

3 A. The client would certainly benefit.

4 I mean, that's what Ben Barnes was hired to do.

5 MR. ABRAHAM: This is Delk 10.

6 - - -

7 (Whereupon, an e-mail was marked,

8 for identification purposes, as

9 Delk Exhibit Number 10.)

10 - - -

11 (Whereupon, the witness reviews the

12 material provided.)

13 BY MR. ABRAHAM:

14 Q. I've placed before you what's been

15 marked Exhibit Delk 10. This is an e-mail from

16 you to Jeffrey Forbes from January 8th, 2009.

17 Does this e-mail look familiar to

18 you?

19 A. Yeah.

20 Q. And what's the subject of this

21 e-mail?

22 A. Well, this has nothing to do with

23 this case. This was an e-mail from Lil to

24 Baucus.

25 This was another client of Ben's

1 ROBERT MITCHELL DELK
2 that were health centers, and Lil was the
3 president of the health center group, and it was
4 a draft e-mail from her to the chairman. And
5 then it goes on from Jeff back to me, and he
6 said, Make it, you know, more a personalized
7 memo.

8 This was about healthcare reform.

9 And then I -- and the last thing I
10 said, Jim Conzelman, who works with Standard
11 [sic], called me and said that Stanford sent a
12 check to the Montana Fund, it was not cashed or
13 returned. And then --

14 Q And --

15 A -- I was asking him what to do about
16 it.

17 I mean, that was -- again, this was
18 about tax -- this was not about the Stanford
19 issue, other than since I was e-mailing with
20 Jeff, who had worked for Baucus, I was just
21 telling him that -- that the Stanford guy told
22 me -- I ran into him and he said that they had
23 sent something to the Montana Fund, he was going
24 to the event, and they never cashed the check.

25 Q. What is the Montana Fund?

1 ROBERT MITCHELL DELK

2 A. I don't know. It's a -- it was a
3 fund that Senator Baucus had, a Political Action
4 Committee. I'm assuming. I don't know.

5 Q. And you write that The check, quote,
6 was probably returned for reasons we have
7 previously discussed, and it was probably lost in
8 the mail.

9 A. It was -- as I -- as what Jim said
10 is the check was for greater than the amount that
11 can be done. I think at that point in time it
12 was like \$2,400 -- \$2,200 or \$2,600, and the
13 check had been written for \$5,000.

14 Q. I see.

15 So the reason the check wasn't
16 cashed, to the best of your knowledge, was it
17 exceeded the -- the maximum?

18 A. The limits --

19 Q. Okay.

20 A. -- right.

21 MR. ABRAHAM: This is Delk 11.

22 - - -

23 (Whereupon, an e-mail string was
24 marked, for identification
25 purposes, as Delk Exhibit

1 ROBERT MITCHELL DELK

2 Number 11.)

3 - - -

4 BY MR. ABRAHAM:

5 Q. I've placed before you what's been
6 marked Exhibit Delk 11, which is a series of
7 e-mail exchanges.

8 Does this document look familiar to
9 you?

10 A. Yeah.

11 Q. And on the first page is an e-mail
12 from you to Scott Reed where you write, Allen
13 needs legal help, but equally important, he needs
14 some precut -- precrisis [verbatim] PR
15 professionals.

16 A. And this was, I assume, before --
17 this was when there was press that he was being
18 investigated, and this was before he, in fact,
19 had been indicted.

20 And --

21 Q. When you -- when you say "he," who
22 do you mean?

23 A. Stanford.

24 Q. Okay.

25 A. -- and just as a little background,

1 ROBERT MITCHELL DELK

2 when Freddie Mac had their accounting issues, the
3 chairman, president and CFO ended up being fired,
4 in one day, by the board, which created a
5 tremendous public relations issue.

6 And I managed a group of
7 professionals inside -- inside Freddie Mac that
8 involved 25 people. And -- so what I did is I
9 created a document. I said this is a PR and all
10 that in there (indicating). I created a -- a
11 document kind of based on what we did at
12 Freddie Mac.

13 Again, this is --

14 Q. You created --

15 A. -- this is a byproduct --

16 Q. -- you created a PR document for
17 who?

18 A. For -- for Barnes, that I assumed he
19 would use with Allen Stanford.

20 Q. Why did you assume that?

21 A. Well, that's what I created it for.
22 Barnes didn't have a PR problem; it was
23 Allen Stanford did. He's the one who's being
24 reported -- as this article says, being
25 investigated.

1 ROBERT MITCHELL DELK

2 Q. So did you believe that part of
3 Ben Barnes' work was to help Allen Stanford with
4 PR issues?

5 A. No.

6 I -- I believe that we represented
7 the Stanford Group, and our whole objective was
8 to pass legislation. And when you work on that
9 for four years and, in fact, the company blows
10 up, your name is associated with having
11 represented that individual and his company.

12 And so as a byproduct of that, when
13 this blows up, you have to be prepared to address
14 the press. I mean, because in this day and time,
15 somebody's going to say, Well, you
16 investigated -- I mean, you represented him. You
17 know, are you complicit? Did you know anything
18 about this? And the answer is, obviously, no.

19 So, no, I wasn't paid to create
20 public relations talking points for
21 Allen Stanford, but it was a -- I assumed that's
22 what you kind of do when you're a -- a consultant
23 to somebody on a specific issue. If their firm
24 blows up, you have to justify how you work for
25 them for a number of years and, in fact, didn't

1 ROBERT MITCHELL DELK

2 know about that.

3 Q. Do you believe that was part of
4 Ben Barnes' role, was to help the Stanford
5 organization with PR issues?

6 MR. MADRID: Objection: asked and
7 answered.

8 THE WITNESS: No. I think, again,
9 you know, as we've talked about, there was
10 some con- -- condition in the environment
11 that was done as it relates to the tax
12 benefits in the Caribbean and the USVI.
13 No, I don't -- I don't know what Ben
14 advised Allen Stanford on; but I do know,
15 as it relates to this one tax issue, there
16 was a public relations aspect of it, and
17 that was conditioning the environment to
18 make people appreciate that the Caribbean
19 was important to this country.

20 But, no, I don't think that was --
21 that was a byproduct of having represented
22 them in this tax issue.

23 BY MR. ABRAHAM:

24 Q. In response to that e-mail,
25 Scott Reed writes, Ben seems to think he has it

1 ROBERT MITCHELL DELK

2 under control!

3 A. Well, you're going to interview
4 Scott Reed. Ask him what he meant by that.
5 I --

6 Q. I'm asking you --

7 A. -- don't know. I --

8 Q. -- what did you understand that to
9 mean at the time?

10 A. I don't have a clue what he meant.
11 But I just thought -- when I read this article, I
12 said, The guy is -- you know, this is pretty
13 frigging bad. And if this is accurate, there's
14 going to be -- people are going to ask Barnes,
15 You know, didn't you represent this guy before
16 the Congress?

17 And that was my concern, is, as a
18 part of that team working for Ben Barnes Group, I
19 was just providing something for him to, in fact,
20 respond.

21 Because everything Ben Barnes did
22 for him, he did a damn good job on it. And he
23 had nothing to do, as far as I know, with this
24 Ponzi scheme.

25 I don't know what Scott meant. He

1 ROBERT MITCHELL DELK

2 can tell you.

3 Q. You respond to -- to Scott Reed with
4 an e-mail saying, This is going to be an
5 eight-headed monster. The legal, political and
6 PR issues are going to be enormous, all with
7 different objectives and consistencies.

8 What did you mean by that?

9 A. Anytime that you have -- you
10 represent somebody who is indicted or is about to
11 be indicted, you're going to have an issue of
12 whether, you know, there's -- you're legally
13 liable. I didn't know what was going on there.
14 I didn't know what the legal liabilities could
15 possibly be.

16 I know one thing: There was no
17 knowledge of what was going on without Stan --
18 Allen Stanford. There clearly could be political
19 issues because Ben Barnes had represented
20 Allen Stanford, and this group had worked with
21 Ben Barnes in representing him. And that
22 creates, obviously, public relations issues.

23 I mean, again, that would -- this
24 is a -- if you look at it, this was just a
25 cryptic e-mail. I mean, you know, you can read

1 ROBERT MITCHELL DELK

2 into it anything you want to; but it was nothing
3 more than, you know, Allen Stanford's in a lot of
4 trouble and, you know what, because we
5 represented him, we just need to be prepared to
6 explain that everything we did was legitimate, it
7 was legal, and it was to achieve a very sound
8 public policy. And if anybody asked the
9 question, here's what we're going to say.

10 Q. But the subject of this e-mail
11 appears to be whether Ben Barnes is equipped to
12 give cri- -- to give crisis and PR advice --

13 A. Again --

14 Q. -- to the --

15 A. -- again --

16 Q. -- Stanford organization --

17 THE COURT REPORTER: Wait, wait --

18 THE WITNESS: -- on --

19 BY MR. ABRAHAM:

20 Q. -- isn't that correct?

21 A. -- that is a gross jump to a
22 conclusion -- I don't know. Ask Scott. You're
23 going to have him here tomorrow.

24 Q. Well, you -- you're -- you received
25 these e-mails, and you responded to them.

1 ROBERT MITCHELL DELK

2 So what --

3 A. Yeah.

4 Q. -- what do you think is happening?

5 A. I don't know.

6 I'm just saying, you know, I don't
7 know what Ben's prepared to do, but I'm going to
8 prepare something because this team worked on a
9 legitimate issue; provided legitimate,
10 comprehensive, very good services. And, in fact,
11 because we did that, we're going to have to
12 respond to it.

13 Q. For whose benefit, Ben Barnes or
14 Allen Stanford?

15 A. Not for Allen Stanford's benefit,
16 but, you know, I produced a document -- at the
17 time when it was shown that -- it was at least
18 alleged that Allen was being investigated but
19 hadn't been indicted, I produced a document for
20 Ben that said, you know, here's what we did at
21 Freddie Mac. He wants to follow this lead, go to
22 it. You need to have somebody who can manage,
23 you know, a war room, essentially.

24 But I did think there was -- you
25 know, there could be political fallout for the

1 ROBERT MITCHELL DELK

2 Ben Barnes Group and for people that Ben had
3 hired to work on this issue. It's a very unique
4 situation that very seldom happens, thank God.

5 Q. And how did you manage or help
6 manage the fallout to Ben Barnes' reputation?

7 MR. MADRID: Objection: form.

8 THE WITNESS: I -- I gave Ben a
9 document explaining, you know, based on
10 our conversation when this broke, what he
11 had done for Stanford, what I had done for
12 Stanford, and it will show you that
13 everything we did were legitimate issues.
14 And we were paid for them and I think, you
15 know, were paid less than probably we were
16 deserved.

17 MR. ABRAHAM: Okay. Thank you. I
18 have no more further questions.

19 THE WITNESS: No, that's fine.

20 THE COURT REPORTER: I need a
21 break --

22 MR. MADRID: Yes --

23 THE COURT REPORTER: -- please.

24 MR. MADRID: -- let's take a
25 five-minute -- is that okay -- 10 minutes?

1 ROBERT MITCHELL DELK

2 THE VIDEOGRAPHER: Off the record at

3 2:28.

4 - - -

5 (Whereupon, a brief recess was taken

6 from 2:28 p.m. to 2:58 p.m.)

7 - - -

8 THE VIDEOGRAPHER: On the record at

9 2:58.

10 - - -

11 EXAMINATION BY COUNSEL FOR DEFENDANTS

12 BEN BARNES AND BEN BARNES GROUP, L.P.

13 - - -

14 BY MR. MADRID:

15 Q. Good afternoon, Mr. Delk. My name
16 is Jay Madrid. I have the pleasure of
17 representing Ben Barnes Group and Mr. Barnes,
18 individually.

19 We met just before your deposition
20 began, is that correct, sir?

21 A. Yes.

22 Q. Okay. I will do my best to finish
23 whatever I have to ask you in 15 minutes.

24 Here we go.

25 - - -

1 ROBERT MITCHELL DELK

2 (Whereupon, an e-mail string was
3 marked, for identification
4 purposes, as Delk Exhibit
5 Number 4-A.)

6 - - -

7 - - -

8 (Whereupon, an e-mail was marked,
9 for identification purposes, as
10 Delk Exhibit Number 5-A.)

11 - - -

12 BY MR. MADRID:

13 I've handed you Exhibit 4-A and --
14 I'm sorry -- 4-A and 5-A, correct, sir?

15 A. Correct.

16 Q. Would you match those up with
17 Exhibits 4 and 5, which were presented to you by
18 Mr. Abraham, please?

19 A. Okay.

20 Q. Do you have them?

21 A. Yep.

22 Q. Am I correct that -- let's take them
23 one at a time.

24 Exhibit 4-A is your transmittal
25 e-mail to, among others, Mr. Barnes, sending him

1 ROBERT MITCHELL DELK

2 Exhibit 4 -- or a copy of Exhibit 4?

3 A. That's what it appears.

4 Q. And then the e-mail that is attached
5 to Exhibit 4 is his forwarding it on to the
6 Stanford Group, correct?

7 A. That's correct --

8 Q. Okay.

9 A. -- that's what it appears.

10 Q. Same question -- and I realize this
11 was sort of in the nature of a housekeeping
12 issue -- same question with respect to 5-A --

13 A. Correct.

14 Q. -- your transmittal to Mr. Barnes,
15 and then he can forward it -- do whatever he
16 wants to with it -- on to the Stanford Group,
17 correct?

18 A. Yeah, that's correct.

19 Q. So it simply reinforces the fact
20 that these two documents, Exhibit 4 and
21 Exhibit 5, came out of your office or your --
22 your good works, forwarded on to Mr. Barnes,
23 correct?

24 MR. ABRAHAM: Objection: form.

25 THE WITNESS: Well, that is correct,

1 ROBERT MITCHELL DELK

2 but they came out of a discussion with and
3 a recommendation from Ben -- working for
4 Ben that I prepare these documents.

5 BY MR. MADRID:

6 Q. I understand --

7 A. Okay.

8 Q. -- the only point being you prepared
9 them, you forwarded them to Mr. Barnes?

10 A. That's because I work for
11 Mr. Barnes.

12 Q. Understand.

13 Now, you've -- you've told us some
14 pieces of this, but how do you define your areas
15 of expertise, please?

16 A. Well, some people would argue I have
17 no expertise, but my experience is in the area
18 primarily of financial services issues and issues
19 that fall under financial services companies.

20 Q. Okay. Anything beyond that, such as
21 this broad field that we sometimes hear of known
22 as Government relations?

23 A. Well, I would say that that is a
24 subcategory of Government relations -- I should
25 have said Government relations is kind of, you

1 ROBERT MITCHELL DELK

2 know, what I consider my --

3 Q. Right.

4 A. -- expertise in, and that broadly
5 being Congressional relations, regulatory
6 relations, issues related to that.

7 But one layer below that is
8 primarily in the area of financial services.

9 Q. And -- and you're comfortable, I
10 take it, defining your expertise as including
11 those areas, right?

12 A. I -- I think so.

13 Q. Okay. You've been at it for how
14 many years?

15 A. For a long time.

16 Q. You are routinely hired by people,
17 are you not --

18 A. Correct.

19 Q. -- and companies, et cetera --

20 A. Correct.

21 Q. -- for just these kinds of
22 activities, right?

23 A. Correct.

24 Q. Over that period of time, have you
25 become familiar with the charges that are

1 ROBERT MITCHELL DELK

2 typically charged to clients for persons who are
3 in your -- in your area of --

4 A. Yes --

5 Q. -- of expertise?

6 A. -- as I testified earlier, when I
7 managed Freddie Mac, which was one of the largest
8 Government relations office in Washington, I had
9 25 consultants. That was a budget about
10 \$12 million.

11 So, yes, the answer -- I think I
12 have a little experience in that area.

13 Q. All right. And I take some billed
14 on an hourly basis, others on a retainer basis,
15 correct?

16 A. None -- none that I was ever aware
17 was billed on an hourly basis. They all were
18 paid on a retainer basis --

19 Q. Okay.

20 A. -- now, for example, I retained some
21 people, like Covington & Burling, John Dugan, who
22 ultimately became the Comptroller of the
23 Currency. It's my understanding that he took the
24 retainer and then billed against the retainer.

25 But as far as the payment from

1 ROBERT MITCHELL DELK

2 Freddie Mac went, he, as well as all consultants,
3 were paid on a monthly basis.

4 Q. Okay.

5 MR. ABRAHAM: I just want to ob- --
6 object to the extent that counsel is
7 eliciting what appears to be expert
8 testimony from a fact witness.

9 MR. MADRID: As yet unretained.

10 You're right.

11 BY MR. MADRID:

12 Q. Look at Exhibit Delk 9, if you
13 would, please, sir.

14 And you'll see that's a string of
15 e-mails that, up at the top, is dated August 11,
16 2009.

17 A. Okay.

18 Q. And I would refer you to the front
19 page. It's the last e-mail, the one down at the
20 bottom -- pardon me, not the last, it's the one
21 at the bottom from you addressed to
22 Kent Caperton.

23 Do you see that?

24 A. Yep.

25 Q. There's a reference to somebody

1 ROBERT MITCHELL DELK

2 named Jim Doty with the Baker Botts Washington
3 office.

4 Do you see that?

5 A. Yep.

6 Q. What area, if you know, is
7 Mr. Doty -- or at least as of this period of
8 time, what area of practice was he in?

9 A. He was -- he was -- he was the
10 managing partner of Baker Botts, and he was a
11 securities lawyer.

12 Q. Okay. To your knowledge, did the
13 Baker Botts office, Washington office, have a
14 Government relations practice?

15 A. Yes.

16 Q. Okay. If you know, how did the
17 charges by the -- from the Baker Botts Government
18 relations lawyers compare with the charges you
19 rendered -- for services you rendered, I should
20 say, to the Stanford Group, albeit through the
21 Ben Barnes Group?

22 MR. ABRAHAM: Objection: form.

23 THE WITNESS: Well, I don't know the
24 answer to that.

25

1 ROBERT MITCHELL DELK

2 BY MR. MADRID:

3 Q. Okay. Well, were the charges that
4 you rendered as part of your monthly retainer --
5 how did those compare, to your knowledge, with
6 peers of yours in the same area?

7 A. They were very consistent with
8 those. As I testified earlier, years back at
9 Freddie Mac, my consultant fees ran anywhere from
10 25,000 to 60,000 per month. So me getting
11 \$25,000 a month, I thought, given the limited
12 clients that I would take on and the amount of
13 attention and knowledge I would bring and
14 expertise to the issue, was imminently
15 reasonable.

16 Q. Could you have justified a higher
17 rate?

18 A. Yes.

19 Q. 50,000?

20 A. I -- I've got -- as I testified
21 earlier, I've got clients that pay much more than
22 \$25,000 a month.

23 Q. Do you have an opinion, sir, as to
24 whether the product that you issued, for example,
25 this white paper that we've talked about here,

1 ROBERT MITCHELL DELK

2 whether the Stanford Group received reasonably
3 equivalent value in exchange for your charges?

4 MR. ABRAHAM: Objection --

5 THE WITNESS: Well --

6 MR. ABRAHAM: -- form.

7 THE WITNESS: -- well -- well, first
8 of all, I didn't do this for Stanford; I
9 did it for Ben, who asked me to do it, who
10 was giving it to Stanford --

11 BY MR. MADRID:

12 Q. All right.

13 A. -- and it was part of a grand
14 strategy --

15 Q. Right.

16 A. -- to eventually get legislation
17 passed.

18 And this was an initial step of kind
19 of conditioning the environment to educate --

20 Q. Right.

21 A. -- people on the importance of this
22 region.

23 Ultimately, the legislation didn't
24 pass because, as I said earlier, I don't believe
25 that that is the ultimate test of whether you're

1 ROBERT MITCHELL DELK

2 adding value to somebody. I mean, as I said,
3 Allen Stanford would have spent millions of
4 dollars pursuing legislation arguing to repel the
5 residency requirement and to expand, in an
6 unreasonable way, the sourcing requirement and
7 would have gotten nothing.

8 So I think the value that Ben added
9 to the Stanford issue as it relates to the
10 legislation was tremendous.

11 Q. As it relates to the charges that
12 you sent to the Ben Barnes Group or as -- perhaps
13 to the Stanford Group, did your work product, in
14 your view, constitute a reasonably equivalent
15 value for the payments that were made?

16 MR. ABRAHAM: Objection: form.

17 THE WITNESS: There -- there were
18 two different issues there: one, I had
19 done previous work for Stanford, which,
20 absolutely, I provided a value to, in
21 fact, more value than I was paid --

22 BY MR. MADRID:

23 Q. Right.

24 A. -- and as you saw, I wasn't paid --
25 I was owed a lot of money when they finally just

1 ROBERT MITCHELL DELK

2 said, We're going to work with Ben Barnes --

3 Q. Right.

4 A. -- and, secondly, unequivocally, I
5 can state that the value I added to Ben Barnes
6 was tremendously great, much [verbatim] value
7 than what I, in fact, was, in fact, billing Ben
8 for --

9 Q. Okay.

10 A. -- and I think Ben benefited from it
11 by being able to, in fact, be paid himself.

12 Q. Were you familiar with the charges
13 from the Ben Barnes Group to the Stanford --

14 A. No --

15 Q. -- parties?

16 A. -- no.

17 Q. You didn't become involved in that
18 at all?

19 A. No.

20 Q. Okay.

21 A. In other words, do I know what
22 Ben Barnes charged to Stanford?

23 Q. Yes.

24 A. No, I have no clue.

25 Q. Okay. But from your point of view,

1 ROBERT MITCHELL DELK

2 certainly, the product that you rendered to
3 Ben Barnes on behalf of the Stanford Group
4 certainly was worth every penny that you billed
5 and perhaps more --

6 A. Again --

7 Q. -- is that correct?

8 A. -- I provided the services to Ben --

9 Q. Right.

10 A. -- and I think the value I added to
11 that effort were much greater than what I was
12 paid.

13 Q. Understand.

14 MR. MADRID: Thank you, sir.

15 I --

16 THE WITNESS: Thank you.

17 MR. MADRID: -- pass the witness.

18 MR. IGIEL: I have no questions.

19 THE VIDEOGRAPHER: This concludes
20 Disc 2 in the deposition of Robert
21 Mitchell Delk. The deposition concludes
22 at 3:07.

23 (Witness excused.)

24 (Deposition concluded at 3:07 p.m.)

25

1 C E R T I F I C A T E

2 DISTRICT OF COLUMBIA:

3 I, Cindy L. Sebo, a Notary Public within and
4 for the Jurisdiction aforesaid, do hereby certify
5 that the foregoing deposition was taken before me,
6 pursuant to notice, at the time and place indicated;
7 that said deponent was by me duly sworn to tell the
8 truth, the whole truth, and nothing but the truth;
9 that the testimony of said deponent was correctly
10 recorded in machine shorthand by me and thereafter
11 transcribed under my supervision with computer-aided
12 transcription; that the deposition is a true record
13 of the testimony given by the witness; and that I am
14 neither of counsel nor kin to any party in said
15 action, nor interested in the outcome thereof.

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Cindy L. Sebo, RMR, CRR, RPR, CSR,

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CCR, CLR, RSA, LiveDeposition

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Authorized Reporter and Notary Public

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24

25

1 INSTRUCTIONS TO WITNESS

2 Please read your deposition over
3 carefully and make any necessary corrections. You
4 should state the reason in the appropriate space on
5 the errata sheet for any corrections that are made.

6 After doing so, please sign the errata
7 sheet and date it.

8 You are signing same subject to the
9 changes you have noted on the errata sheet, which
10 will be attached to your deposition.

11 It is imperative that you return the
12 original errata sheet to the deposing attorney within
13 thirty (30) days of receipt of the deposition
14 transcript by you. If you fail to do so, the
15 deposition transcript may be deemed to be accurate
16 and may be used in court.

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1 E R R A T A

2 WITNESS: ROBERT MITCHELL DELK

3 DATE: MONDAY, SEPTEMBER 29, 2014

4 CAPTION: JANVEY, ET AL. V. BEN BARNES, ET AL.;

5 and BEN BARNES GROUP, L.P. V.

6 CAPITOL COUNSEL, LLC, ET AL.

7 PAGE LINE REASON FOR CHANGE:

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ACKNOWLEDGMENT OF DEPONENT

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I, _____, do
hereby certify that I have read the foregoing
pages, 1 to 223, and that the same is a correct
transcription of the answers given by me to the
questions therein propounded, except for the
corrections or changes in form or substance,
if any, noted in the attached errata sheet.

DATE SIGNATURE

Subscribed and sworn to before me
this _____ day of _____, 20____.

My Commission expires:

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EXHIBIT KVT-60

From: Rhonda Kelly - Kelly Holding Ltd. [rhonda@kellyholding.com]

Sent: Friday, June 29, 2007 4:35 PM

To: Walker, Kye

Cc: laurieann@kellyholding.com

Subject: ESPN

Ben Barnes just called and said he is still waiting to hear back from Len DeLuca (ESPN America Pres) but is working hard to ensure he sets up a meeting for tonight or tomorrow for certain with Laurie-Ann.

Rhonda Kelly

Event Director

Stanford 20/20

Office 345 623 8823

Mobile 345 329 4480

www.Stanford2020.com

CONFIDENTIAL

RECEIVER527-00256659

APP000624

EXHIBIT KVT-61

From: Laurie-Ann Holding [laurieann@kellyholding.com]
Sent: Friday, June 29, 2007 12:27 AM
To: Walker, Kye
Subject: RE:

Yes we got him and think we are ok until we hear back re Rhonda's last update.

L. Holding
Mobile: 345.329.5000
Email: laurieann@stanford2020.com

-----Original Message-----

From: Walker, Kye [mailto:KWalker@StanfordEagle.com]
Sent: Thursday, June 28, 2007 12:11 PM
To: Laurie-Ann Holding
Subject: FW:

Let me know if you have any trouble contacting Ben-I have other numbers for him.

-----Original Message-----

From: Stanford, Allen
Sent: Thursday, June 28, 2007 12:09 PM
To: 'laurieann@kellyholding.com'
Cc: 'rhonda@kellyholding.com'; Walker, Kye
Subject:

Laurie Ann call Ben Barnes at 5124151414 he knows the head guy at ESPN out of NY who happens to be in London presently and can get you in touch with him. He is expecting your call.

On another note we are aggressively working on the Cuba/US issue. I want Cuba in the tournament.

Also all payments will go out tmr. RAS

EXHIBIT KVT-62

From: Rhonda Kelly - Kelly Holding Ltd. [rhonda@kellyholding.com]
Sent: Friday, June 29, 2007 4:27 PM
To: 'Patsy Thomasson'
Cc: laurieann@kellyholding.com; Walker, Kye
Subject: RE: Stanford 2020
Hi Patsy –

Just checking in to see if you had everything you needed for this now? Also I was expecting to hear back from Mr. Barnes about a contact in London for ESPN – would you be able to help with that?

Thanks!

Rhonda

Rhonda Kelly
Event Director
Stanford 20/20
Office 345 623 8823
Mobile 345 329 4480
www.Stanford2020.com

From: Patsy Thomasson [mailto:pthomasson@benbarnesgroup.com]
Sent: June 28, 2007 12:21 PM
To: rhonda@kellyholding.com
Cc: laurieann@kellyholding.com; Walker, Kye
Subject: RE: Stanford 2020

Your so good. When I sent this to someone else, I said we could rely on everything except your representation that Cuba would not win and use almost the same language you did.

pt

Patsy L. Thomasson
Ben Barnes Group
1215 19th Street, NW
Washington, DC 20036

202-467-1613 voice line
202-467-1625 fax line
202-297-8723 cell

From: Rhonda Kelly - Kelly Holding Ltd. [mailto:rhonda@kellyholding.com]
Sent: Thursday, June 28, 2007 12:49 PM
To: Patsy Thomasson
Cc: laurieann@kellyholding.com; 'Walker, Kye'
Subject: Stanford 2020

Hi Patsy –

I guess in regards to them winning I cannot guarantee they would not win – I guess ANYTHING is possible. However they are not traditionally a cricket country and we have teams in the tournament

that have some of the best cricketers in the world on them so it is pretty much next to impossible they would be able to win the minimum of 4 matches required to do this.

Let me know if there is anything I can provide in this regard to help with the approval – thanks again.

Rhonda

Rhonda Kelly
Event Director
Stanford 20/20
Office 345 623 8823
Mobile 345 329 4480
www.Stanford2020.com

From: Patsy Thomasson [mailto:pthomasson@benbarnesgroup.com]
Sent: June 28, 2007 11:32 AM
To: rhonda@kellyholding.com
Subject: RE: test message

One other thing, Rhonda says that there is no way the Cubans win the first year they play; I am not sure that we can rely on this representation.

pt

Patsy L. Thomasson
Ben Barnes Group
1215 19th Street, NW
Washington, DC 20036

202-467-1613 voice line
202-467-1625 fax line
202-297-8723 cell

From: Rhonda Kelly - Kelly Holding Ltd. [mailto:rhonda@kellyholding.com]
Sent: Thursday, June 28, 2007 12:28 PM
To: Patsy Thomasson
Cc: 'Laurie-Ann Holding'; 'Walker, Kye'
Subject: RE: test message

Hi Again Patsy –

Attached is a breakdown showing the prize money and the development funds we discussed. I hope this is clear as I tried to make it simple but was converting it from the Government presentation which is very detailed.

Let me know whatever questions you have either by email or phone.

Thanks so much for your assistance!

Best Regards,

Rhonda

Rhonda Kelly
Event Director
Stanford 20/20
Office 345 623 8823
Mobile 345 329 4480
www.Stanford2020.com

From: Patsy Thomasson [mailto:pthomasson@benbarnesgroup.com]
Sent: June 28, 2007 10:20 AM
To: rhonda@kellyholding.com
Subject: test message

Patsy L. Thomasson
Ben Barnes Group
1215 19th Street, NW
Washington, DC 20036

202-467-1613 voice line
202-467-1625 fax line
202-297-8723 cell

EXHIBIT KVT-63

From: Laurie-Ann Holding [laurieann@kellyholding.com]

Sent: Monday, July 02, 2007 7:06 PM

To: Walker, Kye

Cc: rhonda@kellyholding.com

Subject: RE: ESPN meeting

No updates on that as I was not able to meet with them – both myself and Ben Barnes were trying however as you may know there were lots of problems in London on Friday and Saturday and getting around the city was not easy. The guy I was talking to (Anurag) could not get his flight changed to meet me on Saturday and the guys Ben Barnes was trying to arrange with did not get back in touch with us.

I have left messages for them all again today to see if we can at least talk again before tomorrow. As soon as I have any updates I will let you know.

LA

L. Holding

Mobile: 345.329.5000

Email: laurieann@stanford2020.com

From: Walker, Kye [mailto:KWalker@StanfordEagle.com]

Sent: Monday, July 02, 2007 1:22 PM

To: Laurie-Ann Holding

Subject: ESPN meeting

How did your meeting go this weekend?

Kye Walker

Senior Executive Assistant

Office of the Chairman

Stanford Financial Group

340.244.6536 mobile

EXHIBIT KVT-64

From: Hodge, Julie
Sent: Thursday, July 31, 2008 3:41 PM
To: Stoelker, Andrea
Subject: FW: ESPN 360 Agreement

Attachments: ESPN360 Agreement.tif

Attached is the ESPN 360 agreement. It is an exclusive agreement for Broadband rights in the USA, whether live or delayed for broadcast on the ESPN 260 platform plus highlight rights. It covers the 2008 Stanford 20/20 Tournament and 2009 Stanford 20/20 Tournament on dates to be determined. However the licensed period is only January 25, 2008 to March 9, 2009. Given that the regional 2009 Tournament is taking place outside of the licensed period, this may be a possible out for this contract.

From: Hodge, Julie
Sent: Monday, July 14, 2008 1:20 PM
To: Karl Bistany
Subject: ESPN 360 Agreement

Hi Karl

This agreements needs to be kept confidential as it is an agreement between TWI dba IMG Media and ESPN and we are not really at liberty to disclose to third parties.

I do not believe that it covers the Stanford 20/20 for 20 match, but it does include the 2009 Tournament, although term does expire March 9th 2009 and the 2009 Tournament falls after that date so we may be able to get out of that as well.

Julie

From: Karl Bistany [mailto:karl@fmstv.com]
Sent: Monday, July 14, 2008 12:58 PM
To: Hodge, Julie
Subject: RE: TIME Magazine Article

Hi Julie,

Can I trouble you for a copy of the ESPN 360 agreement?

Many thanks
Karl Bistany
Future Media Services Ltd
23 Chelsea Wharf
15 Lots Road
London SW10 0QJ

Tel: +44 (0)870 608 1818
Fax: +44(0)207 751 4500
Mob: +44(0)7785 110018
e-mail: karl@fmstv.com

This electronic message contains information which may be privileged and confidential. The information is intended to be for the use of the individual(s) or entity named above. If you are not the intended recipient, be aware that any disclosure, copying, distribution or use of the contents of this information is prohibited. If you have received this electronic message in error, please notify me by telephone or e-mail (to the number or address above) immediately.

No virus found in this outgoing message.

Checked by AVG.

Version: 7.5.526 / Virus Database: 270.4.10/1550 - Release Date: 13/07/2008 17:58

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RECEIVER527-00292301

APP000634

EXHIBIT KVT-65

APR-08-2008 10:05 From:

To: 913057895320

P.2

AGREEMENT

This AGREEMENT is made as of January 7, 2008 ("Effective Date") by and between:

"LICENSOR":**TRANS WORLD INTERNATIONAL, INC.****d/b/a IMG MEDIA****IMG Center****1360 East 9th Street****Suite 100****Cleveland****OHIO 44114****United States of America****Media****"LICENSEE":****ESPN, Inc.****ESPN Plaza****Bristol****Connecticut****06010****United States of America****Contact: John T Lasker, Director, Digital**

- A. PROGRAMMES/EVENTS:** Package of the following cricket matches to be played: The 2008 Stanford 20/20 Tournament, 25 January to 24 February at the Stanford Cricket Ground in Antigua ("2008 20/20 Tournament") and 2009 Stanford 20/20 Tournament, on dates to be determined by Licensor at the Stanford Cricket Ground in Antigua ("2009 20/20 Tournament" and together the "20/20 Tournaments").

(Each game of the 20/20 Tournaments an "Event" and the host broadcaster's coverage thereof a "Programme").

Start times and dates of the Events will be notified and confirmed by Licensor to Licensee as soon as Licensor is informed and no later than 2 weeks prior to each Event. The term of this Agreement commences as of the Effective Date and expires on March 9, 2009.

If Licensor has substantially similar rights to the Stanford 20/20 Tournament in 2010, Licensor shall so notify Licensee in writing within a commercially reasonable period after the 2010 match schedule is determined. Licensee shall have the exclusive right to negotiate with Licensor for a period of 60 days following the date of such notice, for the exclusive U.S. broadband rights, on terms and conditions as may be agreed by the parties. At the end of the negotiation period, if the parties have not reached agreement, Licensor may offer such rights to a third party.

- B. RIGHTS AND DEFINITIONS:** The following rights and terms shall be defined as set forth below for the purposes of this Agreement:

Designated Rights:

Broadband rights, whether live or delayed coverage, for broadcast on the ESPN 360 platform(s). Highlight rights of up to 5 minutes per match in the Licensed Territory and up to 2 minutes per match outside of the

K:\L\DATA\Legal\2007\309638

APR-08-2008 10:05 From:

To: 913057895820

P. 3

Licensed Territory for broadcast on
oricinfo.com ("Highlight Rights") only.

Licensed Period: January 25th 2008 to 9th March 2009

Licensed Territory: United States of America.

Licensed Languages: All languages, provided that matches will only be made available to Licensee in English (unless only the local language in respect of an Event is available and Licensee agrees to take such version, further to Special Term G(3) below).

The aforementioned Designated Rights are granted to Licensee for the Licensed Period in the Licensed Territory in the Licensed Languages on an exclusive basis, except for the Highlight Rights, which are non-exclusive.

C. GRANT:

Licensor hereby grants to Licensee the Designated Rights to the Programmes during the Licensed Period in the Licensed Languages only throughout the Licensed Territory on an exclusive basis (except as provided herein) in accordance with the Basic Provisions set forth below and the attached Standard Terms and Conditions and in consideration of the payment of the Licence Fee and the Technical Costs.

D. LICENCE FEES:

The Licence Fees shall be as follows:

- In respect of all of the Programmes in the 20/20 Tournaments, eighty thousand United States Dollars (US\$80,000.00), which Licence Fee shall be paid as follows, and in each case payment shall be made in accordance with the terms and conditions of Licensor's valid invoice and upon Licensee's receipt of such valid invoice:

US\$15,000 to be paid within 15 days of fully executed Agreement

January 15th, 2008: US\$15,000

February 15th 2008: US\$10,000

2009 20/20 Tournament

December 15th 2008: US\$15,000

January 15th 2009: US\$15,000

February 16th 2009: US\$10,000

E. TECHNICAL COSTS:

K:\LDTC\Legal\2007\306835

APR-08-2008 10:05 From:

To: 913057895820

P. 4

Programme feeds will be available at BT Tower, London, Licensee shall be entitled to access it free of charge. Licensee shall pay all other Technical Costs due hereunder in accordance with the terms and conditions of and upon Licensee's receipt of Licensor's valid invoice(s).

F. BASIC PROVISIONS:

- | | |
|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1) Number of transmissions allowed: | Unlimited |
| (2) Technical Elements to be supplied: | Via BT Tower, London, a feed with English commentary, in the English language, with international sound and graphics. |
| (3) Payment Provisions: | Licensee agrees to make the payments required under this Agreement in accordance with the transmittal instructions set forth on the invoices issued to Licensee by Licensor. |

G. SPECIAL TERMS:

1. Licensee undertakes and agrees that the exercise of the Designated Rights and the performance of its obligations hereunder is subject to the regulations, rules and statutes of any relevant Cricket Association or Federation and all other applicable national and international laws and regulations regarding the broadcast of the Programmes and any virtual advertising therein.
2. Time is of the essence in relation to the payment dates specified in Paragraph D above. In the case of any failure to pay any of the Licence Fee on or before the relevant Due Date, Licensor will be entitled to terminate this Agreement if such Licence Fee is not paid within ten (10) business days of demand therefor.
3. It is condition of this Agreement that the feed is in the English language, fully cleared and available at BT Tower, London. Where any or all of these criteria are not met in respect of a particular Programme or Event, it shall be at Licensee's absolute discretion whether or not to take such Programme or Event. In the event that Licensee opts not to take a Programme or Event because one or more of the aforesaid criteria are not met, Licensee shall not be obliged to pay a pro rata portion of the Licence Fee in respect of such Programme or Event or Licensee shall be entitled to a pro rata refund for any Licence Fee or part Licence Fee already paid to Licensor in respect of such Programme or Event.
4. Licensee agrees that, upon reasonable request by Licensor, Licensee will furnish Licensor, in a timely manner, with detailed reports of the number of viewers and/or subscribers who accessed and/or viewed any Programme on the ESPN 360 platform(s).

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To: 913057895820

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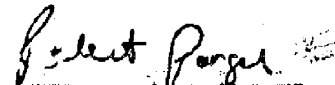
5. Licensee hereby acknowledges and agrees that the Designated Rights granted hereunder are in respect of the Licensed Territory only and, accordingly, Licensee undertakes to employ a digital rights management system of international quality standard which is capable of ensuring that the Programmes or Events cannot be viewed or accessed from outside the Licensed Territory.


This Agreement comprises the provisions set out above and the Standard Terms and Conditions attached hereto and only when signed by both parties shall this Agreement constitute a legally binding Agreement between the parties. In the event of any inconsistency between the provisions set out above and the Standard Terms and Conditions, the provisions set out above shall take precedence.

READ AND AGREED:

For and on behalf of Licensor

For and on behalf of Licensee


Trans World International, Inc.
d/b/a IMG Media
Print Name Robert Ponger
Title Vice President of Finance and Administration


ESPN, Inc.
Print Name: _____
Title _____
James B. Noel
Vice President, Business Affairs
Programming
ESPN, Inc.

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CONFIDENTIAL

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APP000639

STANDARD TERMS AND CONDITIONS**1. Payments**

(a) All payment shall be made on or before the Due Date in the manner requested in the relevant invoice or set forth in the Basic Provisions.

(b) Timely payment is of the essence of this Agreement. In the event that payment is not made on or before fifteen days following the Due Date, interest will be charged at the rate of one per cent (1%) per month or the maximum amount permitted by the applicable law.

(c) All payments will be made to Licensor together with Value Added Tax, or any similar taxes, if applicable.

(d) Licensee shall not make any deductions of any kind from payments due hereunder except withholding tax as required to be deducted under the applicable law of the country of residence of the Licensee. If any deduction is made from any payment hereunder for withholding tax in accordance with the foregoing, then simultaneously with any such payment Licensee shall provide Licensor with a certificate of payment of tax from the relevant local taxation authority in relation to that payment. Further, Licensee agrees to provide Licensor with all reasonable assistance in order that Licensor may recover such withheld tax within the shortest delay.

2. Delivery of the Programme

The Programme shall be delivered to Licensee on a live or recorded basis as indicated in the Basic Provisions.

3. Return, Further Delivery or Erasure of Programme(s)

Licensee agrees to comply with the reasonable instructions of Licensor with respect to the return, further delivery or erasure of any recording of the Programme. All shipping charges incurred in connection with such further delivery shall be borne by Licensee or charged to the account of Licensee.

4. News and Other Access

Licensor will not grant the Designated Rights (if exclusive) to the Programme in the Licensed Language within the Licensed Territory during the Licensed Period to any third party; provided, however, that access to the Event may be granted by Licensor for use, not to exceed two minutes per bulletin, in regularly scheduled news or sports-news programmes and provided further that Licensor may authorise the use of up to five minutes of the Programme within the Licensed Territory on not less than a seventy-two (72) hour delay from completion of the relevant days play, for inclusion within any sports magazine, sports anthology or other programme.

5. Clearances

Licensor agrees to arrange and pay for all performing rights or equivalent clearances in the music, if any, and, in respect of non-library music only, for any other music clearances which are necessary in the Licensed Territory during the Licensed Period.

6. Force Majeure

Licensor shall not be liable for any event of force majeure, as defined in this clause which affects the staging or coverage of the Event except that if the staging or coverage of an entire Event or of a whole day of an Event consisting of more than one day, on which the Programme is based should be prevented or cancelled due to a casualty or other act of God, inevitable accident, strike or other labour dispute, fire, flood, epidemic, earthquake, explosion, war or armed conflict, blockade, embargo, restraints, sanctions,

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To: 913057895820

P. 7

or orders of civil, civil defence, or military authorities; government action or decree, act of public enemy, riot or civil disturbance, or threat thereof or other inability to secure sufficient labour, technical or other personnel; or any other cause or causes, similar to or dissimilar to the foregoing, beyond the control of Licensor, ("force majeure") then, subject to the provisions of Clause 20 below, neither Licensor nor Licensee shall be obligated in any manner to the other with respect to the Programme relating to the Event or to that day of the Event so affected. However, if the Event is postponed or delayed for any force majeure reasons and rescheduled within a reasonable time after the original date, then all terms and conditions of this Agreement shall apply to the Programme on such rescheduled date.

7. Credit

Licensee agrees not to edit or otherwise delete the copyright notice contained in the recording or signal of the Programme.

8. Licensor's Property

Licensee acknowledges that the rights licensed to it hereunder are limited to the material constituting the Programme. If additional non-licensed material is delivered with the Programme, Licensee has no rights to such additional material and provided that Licensor identifies such material to Licensee, shall indemnify Licensor against all liabilities arising from the broadcast by Licensee of such additional material. Any and all rights not herein specifically granted to Licensee shall be and remain the property of Licensor, to be used by Licensor in any manner it deems appropriate. In particular, it is agreed and acknowledged by Licensee that, unless specifically included under this Agreement, the Designated Rights do not include radio, non-theatrical, in-flight, ship at sea and all other forms of transport, closed circuit, home video, laser disc, optical disc, DVD format, CD interactive, CD Rom, and/or any programme service delivered via the Internet or on-line service other than the Designated Rights, any web-site rights, Wireless Application Protocol (WAP), Third Generation Mobile (3G), Short Messaging Service (SMS), Multimedia Messaging Service (MMS), UMTS and/or any other services for mobile communications devices (such as the use of DVB-H or similar technology to transmit the Programmes to mobile communications devices, or via mobile network), any form of video-on-demand, any form of interactive television (such as two-way television) or any other multimedia rights whether now known or hereafter invented. For the avoidance of doubt, references above to in-flight, ship at sea and all other forms of transport shall mean all forms of exhibition of the Programme within aircraft, ships and other forms of transport respectively including, but without limitation, transmission (whether on a simultaneous basis or otherwise) of television broadcasts within the aircraft, ship and all other forms of transport respectively. Licensee shall neither copy nor duplicate nor license nor authorise the copying or duplicating of the Programme or any part thereof without Licensor's prior written consent. Unless specifically authorised in the Basic Provisions, Licensee shall not have the right to use any Programme excerpts or stills separately from the Programme and the whole Programme must be broadcast in its entirety for each licensed transmission and Licensee shall not be permitted to edit, amend, add to, or in any other way alter the Programme for such transmission except for editing required to remove segments (with the approval of Licensor) for the purposes of censorship. In particular, but without limiting the generality of the foregoing, Licensee shall not use (a) any system of modification, removal or replacement of, or addition to, specific parts, such as signage or billboards, of the images/pictures contained within the Programme, nor (b) carry out any similar manipulation of the images/pictures constituting the Programme, ((a) and (b) together called "Modification Rights"). Licensee acknowledges that Modification Rights shall be retained by Licensor and Licensor shall be entitled to exercise Modification Rights at its sole discretion and to retain all income from the exercise thereof.

9. Official Film

Intentionally Deleted

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10. Overspill

Licensee acknowledges and agrees that Licensor reserves the right to authorize third parties to transmit the Programmes for reception outside the Licensed Territory or for reception in those parts of the Licensed Territory where the Designated Rights are non-exclusive. Licensee further acknowledges that such transmission may be capable of reception within the Licensed Territory including those parts of the Licensed Territory where the Designated Rights granted hereunder are exclusive due to the inherent capability of satellites to beam down signals which are not confined to territorial boundaries ("Overspill"). Licensee agrees that the occurrence of such Overspill shall not constitute a breach of this Agreement, provided that Licensee takes commercially reasonable efforts to prevent it.

11. Provision of Transmission Information

Upon request of Licensor, Licensee agrees to provide Licensor, within thirty (30) days after Licensee's first telecast of the Event or Programme thereof, a list of dates and times of the applicable transmissions, the territorial coverage of such transmissions and, to the fullest extent available, the ratings for each transmission and the demographic profile of the audience.

12. Licensor Ceasing to own or control the Designated Rights

In the event that Licensor ceases to own or control the Designated Rights, this Agreement shall automatically terminate upon such cessation without any liability to Licensor. In the event of such termination, Licensee will remain liable to pay the Licence Fee pro rata in respect of Programme(s) already transmitted. If Licensee has made advance payment(s) and the event of termination of this Agreement results in all or part of such advance payment(s) being refundable to Licensee then Licensor will make the appropriate refund within 30 days of the event of termination of this Agreement.

13. Indemnity

Each party represents and warrants to the other that it has the right to enter into this Agreement and Licensor represents and warrants to Licensee that Licensee's exercise of the Designated Rights in accordance with this Agreement will not infringe the right of any third party.

Licensee and Licensor shall indemnify and hold the other and its affiliates, and each entities' directors, officers, employees and agents harmless from and against any and all claims, damages, liabilities, costs and expenses (including attorney's fees) arising out of any breach by it of any warranty, representation or Agreement of it hereunder, the parties' relationship or with respect to any materials added by Licensee to the Programme or used in the advertising and promotion thereof.

14. Suspension/Termination

(a) Either party shall have the right to terminate this Agreement by giving written notice to the other in the event that:

(i) The other has committed a material breach of any of its obligations hereunder which cannot be remedied;

(ii) The other has committed a material or repeated breach (including, without limitation, failure to make payment of any sum due hereunder on or before the Due Date) of any of its obligations hereunder and shall not remedy such breach (if the same is capable of remedy) within 10 days of being required by written notice so to do;

(iii) [Intentionally omitted.]

(iv) Licensee ceases or threatens to cease to carry on business or is removed from the relevant register of companies.

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Upon the occurrence of any of the events referred to in this Clause 14(a)(ii), the Licensor may (without prejudice to any other rights or remedies it may have, whether pursuant to this Agreement or otherwise) immediately suspend the delivery of the Programme upon notice to Licensee and reasonable right of cure (including without limitation access to the live feed, if any) to the Licensee.

(b) [N/A]

(c) In the event this Agreement is terminated under the provisions of this Clause or Clause 20, all rights granted to Licensee hereunder shall revert immediately to Licensor. Any such termination shall not affect Licensor's rights to any payments then due. Furthermore termination under this clause or clause 1 shall be without prejudice to any other remedy available to Licensor. Licensee acknowledges and agrees that the amount recoverable by it in connection with any dispute or controversy relating to this Agreement or the parties' relationship is limited to the amount of the Licence Fee actually paid to Licensor.

15. Notices

Any notices to be given or served hereunder shall be in writing and shall be delivered or sent by first class post (air mail if to an overseas address) or facsimile with a copy to IMG Media legal department, 420 West 45th Street, New York, NY 10025 (confirmed by a copy sent by post) to the party to be served at the address set out in the Basic Provisions (or such other address as either party may notify in writing to the other party) and shall be deemed to have been served on the second business day after posting (five (5) days in the case of posting overseas) and immediately in the case of facsimile.

16. Confidentiality

Neither party nor any of its employees shall divulge to any third party any of the terms of this Agreement or the existence of this Agreement without the express permission of the other save as may be necessary in order to comply with any legal or regulatory requirements.

17. No Partnership/No Joint Venture

This Agreement is made between principals and nothing herein contained shall be deemed to constitute a partnership or joint venture between the parties hereto.

18. Waiver

A waiver by either party of any breach or default by the other party will not be construed as a continuing waiver of the same or any other breach or default under this Agreement and no waiver shall be effective unless made in writing.

19. Tapes on Loan

Intentionally Deleted

20. Withdrawal/Substitution of Programme(s)

(a) Licensor may withdraw any Programme(s) from this Agreement prior to delivery of such Programme(s), if necessitated either by a force majeure reason under Paragraph 6 above or by any other circumstances unforeseen at the time of entering into the Agreement.

(b) If Licensor elects to withdraw any Programme(s) pursuant to sub-clause (a) above, then Licensor shall have the right either to deliver to Licensee another Programme of comparable quality which Programme shall be deemed to replace the Programme withdrawn, or alternatively, at Licensor's election, Licensor may reduce the number of Programme(s) to be delivered and paid for hereunder by one and

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Licensee shall be given a refund or rebate as appropriate of that part of the Licence Fee allocated to such withdrawn Programme.

(c) Notwithstanding the withdrawal/substitution of any Programme(s) hereunder by the Licensor this Agreement shall remain in full force and effect as regards the remaining Programme(s) and Licensor shall have no liability for such withdrawal except as set out in sub-clause (b) above.

21. No Assignment by Licensee

(a) Subject to 21(b) this Agreement shall be binding upon and inure to the benefit of Licensor and the successors and assigns of Licensor. The rights granted Licensee hereunder shall be exclusive to it and shall not, without the prior written consent of Licensor, be sub-licensed, transferred or assigned except to a company controlling, controlled by or under common control with Licensee. In the event of the merger or consolidation of Licensee with, or acquisition by, any other entity, Licensor shall have the right to terminate this Agreement by so notifying Licensee in writing on or before 60 days after Licensor has received written notice of such merger, consolidation or requisition.

(b) Licensor shall be entitled to assign any of its rights and obligations hereunder to any of its affiliated/associated companies.

22. Third Parties

This Agreement is for the mutual and exclusive benefit of the parties hereto and shall not be deemed to be for the direct or indirect benefit of any third parties, none of which are intended to be beneficiaries of this Agreement.

23. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of New York. Any disputes between the parties arising out of this Agreement shall be subject to the non-exclusive jurisdiction of the courts in New York City.

24. Complete Understanding

This Agreement contains the full and complete understanding between the parties hereto, supersedes all prior agreements and understandings, whether written or oral, and may not be modified except by written instrument signed by the parties hereto.

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EXHIBIT KVT-66

From: Hodge, Julie
Sent: Friday, October 17, 2008 7:44 PM
To: Lewis -Flynn, Natasha
Subject: RE: Invoices required

Attachments: BBC.pdf; ESPN.pdf; Ten.pdf
Of course, it would help if I actually attached the contracts.

From: Hodge, Julie
Sent: Friday, October 17, 2008 2:28 PM
To: Lewis -Flynn, Natasha
Cc: Stoelker, Andrea
Subject: Invoices required

Natasha

Can you prepare Invoices based on the attached contracts and forward via email to karl@fmstv.com, cc: jon.higton@couchmanharrington.com, and myself for onward forwarding to the broadcasters:

1. British Broadcasting Corporation
Broadcasting House
Portland Place
London W1A 1AA

US\$7,500
2. ESPN, Inc.
ESPN Plaza
Bristol, CT 06010-1099

US\$70,000 for installments 7.1.1 (\$35,000) and 7.1.2 (\$35,000)
3. TAJ Television Ltd.
Manor House, 1st Floor
Corner St. George/Chazal Street
Port Louis
Mauritius

US\$40,000

Please make reminders also for the remaining amounts due under the contract. Let me know if you have any questions.

Thanks

Julie Hodge
Media Relations and Marketing Director
Stanford 20/20
Office Main: 268-481-2020
Office Direct: 305-960-8531
Fax: 268-481-3552
website: www.stanford2020.com

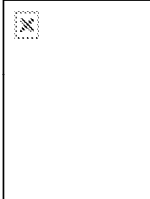


EXHIBIT KVT-67

**BROADCAST RIGHTS FOR STANFORD 20/20 MATCHES
AGREEMENT**

DATED:

October 14, 2008

PARTIES:

(1) **STANFORD 20/20 LLC**, a limited liability company domiciled at PO Box 224602, Christianstead, St Croix, United States Virgin Islands 00822 ("**Stanford**")

and

(2) **ESPN, Inc.**, a Delaware corporation with its principal place of business at ESPN Plaza, Bristol, Connecticut 06010-1099 ("**ESPN**")

1. GRANT OF RIGHTS

In consideration of the Licence Fee Stanford hereby grants to ESPN the Broadcast Rights to the Matches for the Territory during the Term on the terms and conditions set out below. This Agreement replaces and supercedes any and all previous understandings and/or agreements between the Parties and as between ESPN and Stanford, any third party and ESPN relating to the Matches or any of them including without limitation the purported agreement between IMG and ESPN relating to the Regional Event which is acknowledged by both Parties hereto to have been terminated.

2. MATCHES

Each of those cricket matches played under the auspices or control of Stanford which are specifically set out in Schedule 1 attached hereto (the "**Matches**") (The Trinidad Tobago vs County Champion, the four warm-up Matches, the Feature Match and described in Part A of Schedule 1, hereinafter separately referred to as the "Stanford Super Series" and the Matches and of the Stanford 2009 Regional Tournament as the "Regional Event").

3. TERRITORY

The Territory comprises three areas:

Part A -- the USA
Part B -- the Caribbean
Part C -- the Pacific Rim

All as more fully detailed in Schedule 2.

(collectively the "Territory")

4. TERM

From the date hereof until 31 May 2009.

5. BROADCAST RIGHTS

5.1 The Broadcast Rights shall comprise, subject always to the Excluded Rights:

- 5.1.1 (a) in Part A of the Territory, the exclusive right to transmit the Feed (as defined in clause 9 below) of the Stanford Super Series and the nonexclusive right to transmit the Feed of the Regional Event solely in the Territory on ESPN-branded television channels (in whole or in part, whether live, delayed or as highlights, clips and/or stills) by means of satellite and/or cable pay television and the right to transmit the Feed of the Matches exclusively live and non-exclusively delayed via broadband internet on the ESPN360 service, an

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unlimited number of times, with commentary in the English language during the period commencing on the date hereof and continuing until 31 May 2009 ("Licence Period") together with the right during the Licence Period to make available up to 5 minutes of clips for exhibition on all ESPN "Platforms" provided that such availability is restricted to the Territory. For purposes of this Agreement, ESPN "Platforms" shall mean ESPN's various branded and/or otherwise approved Web sites, including but not limited to ESPN.com, Orinfo.com and ESPNdeportes.com and in Australia only, ESPN's microsite accessed via the Big Pond Sport home page.

- (b) in Part B of the Territory the exclusive right to broadcast the Feed of the Matches by means of nonstandard (i.e., not free to air) satellite, cable and other not-free-to-air television ("Nonstandard Television") on ESPN-branded television channels an unlimited number of times, with commentary in the English language, only during the Licence Period. For the avoidance of doubt Stanford retains absolutely the right to licence free to air broadcasters in Part B of the Territory to exhibit the Feed of the Matches on their free to air television services, howsoever, such services are distributed and ESPN will not broadcast nor will it authorise or permit any of its distributors and/or affiliates to re-transmit the Feed via any form of free to air television;
- (c) in Part C of the Territory the exclusive right to exhibit the Feed of the Matches and other events comprising the Stanford Super Series, but not the Regional Event, by means of terrestrial television and Nonstandard Television on ESPN-branded television channels an unlimited number of times, with commentary in the English language, only during the Licence Period;
- (d) throughout the Territory the nonexclusive right to make available on a delayed basis during the Licence Period clips of up to 5 minutes per Match, in total, upon ESPN Platforms provided always that ESPN restricts such availability to the Territory;
- (e) ESPN shall advise Stanford as soon as possible and as far in advance of the Matches as possible of the identity of all channels via which it will be exploiting the Broadcast Rights and their applicable schedules.

5.1.2 the nonexclusive right solely in the Territory to use the names, photographs and likenesses of persons appearing in the Matches and clips from the Feeds for the purposes of exercising the Broadcast Rights granted under this Agreement. Use of clips and/or still images from the Matches solely for the purposes of promoting ESPN's forthcoming exhibitions of the Matches is also permitted. ESPN recognises and confirm that any use of participants' names, likenesses or images for promotional purposes that construes or implies an endorsement by such persons of any product or service will require further separate approval on a case by case basis.

5.1.3 the right in connection with the exercise of the Broadcast Rights set out in Clauses 5.1.1 and 5.1.2 to:

- (i) cut, dub and/or edit footage of the Matches for the purposes of complying with all relevant laws, regulations and/or codes of practice;
- (ii) cut, and/or edit footage of the Matches for the purposes of creating delayed transmissions, highlights, clips and/or stills; and
- (iii) cut and/or edit footage of the Matches for the purposes of meeting timing requirements and in order to insert and interpolate breaks, advertisements and/or sponsorship billboards.

5.2 Subject to the Excluded Rights (as defined below) which are fully reserved to Stanford and the provisions of Clause 5.1.1 above, Stanford agrees that it will not grant any other third party the exclusive Broadcast Rights in the Territory during the Term in any language. For the purposes

of this Agreement, the term "**Excluded Rights**" shall mean all rights not expressly granted to ESPN hereunder including without limitation:

5.2.1 Fixed Media Rights

all fixed media rights including without limitation the right to create, sell and/or otherwise distribute DVDs, CD-ROMs, videograms, video games and other fixed media carriers featuring footage of the Matches.

5.2.2 News Access Rights

the right to authorise other broadcasters in the Territory and/or news gathering and dissemination organisations such as Reuters and SNTV to use and exploit clips of Match footage for news access purposes. Stanford confirms that it will not authorise any such use until conclusion of the subject Match, subject always to local regulations.

5.2.3 Clip Licensing

the right to use and exploit and to authorise third parties to use and exploit clips of footage of Matches within television (and any other audiovisual media) commercials, and magazine, sport and entertainment programming which may be transmitted within the Territory by any means subject to each such programme or commercial comprising no more than 3 minutes of footage taken from any single Match.

5.2.4 Mobile Rights

the right to make and/or permit a third party to make available audio and/or audio-visual coverage of Matches by means of mobile telecommunications services that are intended for reception and viewing on mobile devices in the Territory, Stanford confirms that it will not authorise live streaming of full Match coverage via such mobile telecommunication services in Part A or Part C of the Territory.

5.2.5 Internet Rights

the right to itself and/or permit third parties to transmit and/or make available audio and/or audio-visual coverage of the Matches in the Territory for delivery and viewing via the internet save that in Part A of the Territory Stanford shall not authorise any exhibition of audio-visual coverage of the Matches via the internet on a live basis and/or in the form of substantial highlights (more than 20 minutes per Match) until at least 24 hours following conclusion of the Match in question. In Part C of the Territory Stanford shall not authorise live streaming of the Matches via the internet.

5.2.6 Commercial Partners

without prejudice to the extent of the Excluded Rights as set out in clause 5.2 above (which rights shall not be limited by this clause 5.2.6), and notwithstanding any other provisions of this Agreement, the right to use or authorise Stanford sponsors to use edited extracts of footage of Matches not exceeding 3 minutes per Match for advertising and promotional purposes only in any and all media within the Territory.

5.2.7 Radio Rights

the right to broadcast and/or make available (and authorise others to broadcast and/or make available) audio only coverage of the Matches either on a linear or on-demand basis by means of analogue and/or digital radio broadcasting and/or via the internet and/or any other platform.

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- 5.3 Stanford may exercise the Excluded Rights inside and outside of the Territory as it sees fit. For the avoidance of doubt the unavoidable overspill of other licensees' broadcasts into the Territory and their unauthorised relay (if any) shall not constitute a breach of this Agreement.

6. LICENCE FEE

- 6.1 ESPN shall pay to Stanford the total sum of US\$190,000 apportioned as follows:

- (i) In respect of the Stanford Super Series US\$95,000
- (ii) In respect of the Regional Event US\$95,000

- 6.2 All Licence Fees to be paid plus VAT/sales taxes if applicable but net of any and all other taxes save for withholding tax.

7. PAYMENT

- 7.1 The Licence Fee shall be payable by ESPN in instalments in accordance with the following payment schedule, subject to receipt of a valid and appropriate invoice by ESPN into the account nominated by Stanford in accordance with clause 7.7 below:

7.1.1	Within 10 days following signature of this Agreement:	US \$35,000
7.1.2	The later of 21 days prior to the start of the Stanford Super Series or 10 days following signature of this Agreement	US \$35,000
7.1.3	15 November 2008 or 14 days following the Feature Match, whichever is later	US \$25,000
7.1.4	1 March 2009:	US \$70,000
7.1.5	30 April 2009	US \$25,000

- 7.2 The Licence Fee and each instalment thereof shall be paid without deduction or set off of any kind. If ESPN is required by law or regulation to make any withholding or deduction in respect of any instalment or amount of the Licence Fee payable hereunder it will provide all reasonable assistance as Stanford may require to enable it to recoup such sums.

- 7.3 In the event that the Feature Match (as described in Schedule 1) does not take place as scheduled and/or on its Reserve Day and/or the Regional Event does not take place (as described in Schedule 1), then the following provisions shall apply:

- 7.3.1 If the Feature Match or the Regional Event is re-scheduled to take place during the Term then Stanford and ESPN agree that, subject to Clause 7.3.1, ESPN's Broadcast Rights hereunder shall apply to such rescheduled Feature Match/Regional Event when it is actually played mutatis mutandis.

- 7.3.2 If the Feature Match is canceled without a ball being bowled and/or a result is not achieved based upon play that takes place and/or the Regional Event does not take place then ESPN shall be entitled as its sole remedy to request an equitable reduction/refund of the Licence Fee. Such reduction/refund to be agreed in good faith between the parties within 30 days of the expiry of the Term (the "Negotiating Period") and based on the allocation set out above. In the event that the Parties are unable to agree upon such reduction/refund within the Negotiating Period then either party may refer the issue to arbitration for final resolution in accordance with the provisions of the Arbitration Act 1996 (as amended).

- 7.3.3 For the avoidance of doubt no refund or reduction shall apply in respect of any Matches of the Stanford Super Series which do not take place other than the Feature Match nor in regard to individual Matches of the Regional Event.

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7.3.4 Stanford acknowledges that if the Stanford Super Series including the Feature Match is cancelled in accordance with a final binding court ruling enforceable upon Stanford and arising from the current proceedings in London, and after all appeals have been exhausted it will not be rescheduled during the Term, then ESPN shall be entitled by notice in writing within one week of being notified of same to nullify this Agreement. In the event that ESPN so exercises its right to nullify this Agreement, the Agreement shall be deemed void ab initio and as its only liability Stanford shall promptly repay to ESPN as its only remedy all Licence Fees paid by ESPN at that date.

7.4 Stanford shall be entitled to charge interest on any late payments at 2% above the 3 month LIBOR rate applicable on the due date for payment.

7.5 Without prejudice to any other rights or remedies Stanford may have, in the event of non-payment by the dates set out above Stanford may withhold access to the signal of the Matches (or part thereof) pending receipt of payment.

7.6 Time is of the essence in relation to ESPN's payment obligations hereunder.

7.7 Payment of all Licence Fees hereunder shall be made to the following account or such other account as Stanford may direct:

Name: Bank of St Croix
Address: 5025 Anchorway, Christiansted, VI 00820
ABA: 021606690
Account Name: Stanford 20/20 LLC
Account #: 0022016603

8. ESPN'S OBLIGATIONS

8.1 ESPN undertakes as a minimum guaranteed commitment:

8.1.1 In Part A of the Territory:

- (i) to transmit live and in full on ESPN360 broadband services the Feature Match and at least four of the five other Matches comprising the Stanford Super Series (minimum of 5 Matches in total as attached in Schedule 1) together with any presentation ceremonies forming part thereof;
- (ii) to broadcast upon ESPN2 a 2-hour special, to be produced by ESPN at its cost, of the Feature Match to be first broadcast between 12:00 and 19:00 hours EST on Sunday 2nd November 2008.
- (iii) to transmit on ESPN360 broadband services live and in full coverage of all Matches in the Regional Event

8.1.2 In Part B of the Territory:

- (i) to telecast live and in full ball by ball coverage of the Stanford Super Series;
- (ii) to telecast live ball by ball coverage of the Regional Event, subject to ESPN's being able to accommodate scheduling, and in any event a minimum of 60% (sixty per cent) of such Matches to be telecast live ball by ball.

8.1.3 In Part C of the Territory:

- (i) to broadcast live and in full coverage of the whole of the Stanford Super Series on ESPN International throughout Part C of the Territory;

8.1.4 If in either Part A, Part B and/or Part C of the Territory, ESPN desires to transmit highlights of the Stanford Super Series, Stanford confirms that it will make available such highlights programmes as are available at no extra cost to ESPN.

6.1.5 Stanford recognises that in the event that the Stanford Super Series is rescheduled such that the Feature Match does not take place on 1st November 2008, then ESPN may not be able to fulfil the broadcast commitments given in 8.1.1 (i), 8.1.2 (i) and 8.1.3 (i) above due to scheduling clashes with contracted live sports programming. In such circumstances ESPN undertakes to transmit the programming with equivalent as-live scheduling within no more than 48 hours of the Match taking place and, where the Match took place live during Prime Time, in Prime Time. For these purposes it is agreed that weekend Prime Time shall be as set out in 8.1.1 (ii) and weekday Prime Time shall be 17.00 to 22.00 EST.

8.2 If Stanford so requests reasonably in advance, which request is hereby acknowledged in regard of the two-hour special to be aired on ESPN2, ESPN will within 7 days of such request provide Stanford with a copy in a format reasonably specified by Stanford of all programming and/or transmissions featuring the Matches broadcast and/or made available by ESPN.

8.3 Prior to offering for sale to any third party any broadcast sponsorship packages and/or any commercial airtime in relation to its proposed transmissions of the Matches, ESPN will grant Stanford and Stanford's appointed sponsors/commercial partners (including without limitation the "Presenting Sponsor" as referred to below), as notified by Stanford, an exclusive five day negotiating period on and from the date of this Agreement for the purchase of exclusive broadcast sponsorship and/or commercial airtime packages in and around ESPN's transmissions of the Matches. Further, ESPN agrees that it will not sell any broadcast sponsorship packages to any third party whose business involves the provision of financial products and/or services. Other than this prohibition on appointing competitors as broadcast sponsors, and provided that ESPN has given the exclusive first right of negotiation as set out in this clause 8.3, ESPN shall have absolute discretion regarding who (if anyone) it appoints as its advertisers and/or broadcast sponsor(s).

ESPN shall have no right to sell or otherwise grant to any third party any sponsorship or the promotional rights (including, by way of example only, a marketing or promotional partnership or an "official status" sponsorship) that suggest in any way that such party is a sponsor of, or in any way affiliated with Stanford and/or the Matches or any of them. ESPN shall not identify, present, or promote any advertiser or sponsor of any Programme as having any relationship, affiliation or association with Stanford and/or the Matches and/or the Super Series and/or the Regional Event unless such relationship(s) in fact exist.

Telecast sponsorships or titles for all event telecasts authorised by this Agreement will be presented in the following manner: "This telecast presented by..." or "This telecast brought to you by..." or "This telecast sponsored by..." or "This telecast presented on ESPN by..." If ESPN desires to present such a sponsorship in another manner, it shall consult with and obtain prior written approval of Stanford.

8.4 ESPN will refer to the Matches by their full and proper title including reasonable inclusion of any title sponsors' names, if any, as advised by Stanford. Inadvertent and accidental failure to comply on every occasion with this requirement shall not constitute a breach of this Agreement.

8.5 ESPN will comply with all reasonable copyright and trade mark guidelines (which shall be provided to ESPN as soon as practicable following execution of this Agreement) relating to Stanford and Match names and logos and will broadcast all copyright notices and other credits, as advised by Stanford and included in the Feeds or other programming in its broadcasts and/or transmissions of the Matches.

8.6 ESPN shall not:

- 8.6.1 use or permit the use of any footage of the Matches in any advertising in any media for so as to express or imply an endorsement by Stanford of any goods or services;
 - 8.6.2 other than in accordance with this Agreement use or adopt any name or trade mark which identifies with Stanford or any Match;
 - 8.6.3 modify the Feed (whether by virtual advertising or otherwise) in any way other than in accordance with ESPN's rights set out in Clause 5.1.3.
- 8.7 ESPN undertakes to ensure that its transmissions and exhibitions is restricted to the Territory and accordingly undertakes to insure:
- 8.7.1 all of ESPN's satellite transmissions to its affiliated distributors are encrypted, and ESPN will require that any subsequent satellite transmissions by its affiliated distributors are encrypted;
 - 8.7.2 that it uses geo-blocking technology to ensure its transmissions and/or exhibitions made available via the Internet are not available to viewers outside the applicable part of the Territory;
 - 8.7.3 to use all reasonable efforts as may be requested by Stanford to prevent any unauthorised reception and/or relay and/or retransmission of its exhibitions outside the Territory. Stanford acknowledges that it is not possible to prevent all "piracy" and that ESPN shall not be obligated to engage in futile litigation.
- 8.8 ESPN shall supply to Stanford by 15 November 2008 and 20th May 2009 respectively such returns as are available to ESPN showing the audience figures (together with any demographic data) for each transmission of Match footage (whether live, delayed or highlights) made by it during the Licence Period, in respect of each channel.

9. PRODUCTION / DELIVERY / TECHNICAL COSTS

- 9.1 Stanford shall procure production of the international feed of the Matches (which comprises the audio visual coverage of the Matches with English language commentary, ambient sound and graphics, including the logo of the event) in 16:9 format to a first class international broadcast standard (the "Feed"). The Feed for the 20:20 Matches comprising the Stanford Super Series (not the Beach Cricket) shall be made available in high definition format.
- 9.2 ESPN shall be entitled to access the Feed free of charge upon a satellite to be advised by Stanford or, if ESPN so requests access to the Feed shall be made available to ESPN at the venue of the Match.
- 9.3 In the event that same are incurred over and above accessing the Feed as described in 9.2 above, ESPN shall pay any relevant technical or service charges to Stanford/its nominee within 30 days of receipt of valid and appropriate invoice.

10. INTELLECTUAL PROPERTY RIGHTS

Any and all copyright and other intellectual property rights in the Feed of the Matches and/or any recordings or adaptations thereof shall vest in and belong to Stanford and ESPN hereby assigns to Stanford by way of assignment of future copyright any and all such rights that may arise by the operation of this Agreement, but Stanford shall not exhibit or authorize the exhibition or distribution of versions of such material that include ESPN branding or identification.

11. REPRESENTATIONS WARRANTIES AND UNDERTAKINGS

- 11.1 Stanford represents warrants and undertakes to ESPN: